THE Freeman

IDEAS ON LIBERTY

OCTOBER 1959

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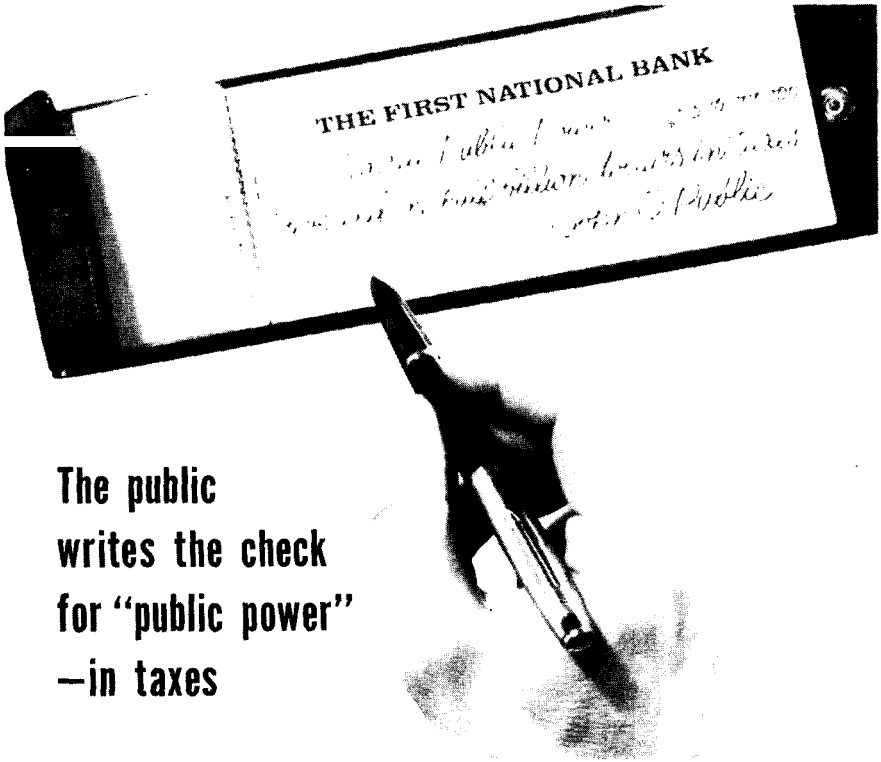

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.. DEVANEY, INC., N. Y.

JOHN CHAMBERLAIN

Unless we know the source of profits, we may try to take them away from the very persons whose profits we should hope to enlarge.

THE THEORY that an enterpriser with the ability to promote a real "union of forces" does proportionately more for society – and the worker – than he does for himself was not fully and comprehensively stated for the American factory age until a Civil War veteran, General Francis Amasa Walker, who taught at the Yale Sheffield Scientific School from 1871 to 1880 before becoming president of the Massachusetts Institute of Technology, applied his fertile mind to the subject of economics. It was Walker who definitely killed what the late Garet Garrett has called the "disastrous foreign theories" by a show of logic that was as beautiful as it was imperious.

What Walker did was to set forth a body of theory in American terms that was eventually to make it impossible for a respectable intellectual opposition to the Ford idea to form. There was, as we shall see, much grumbling in Detroit when Henry Ford decided to share his mounting income with his workers and so help to get increased marginal efficiency out of them; and there were some predictions, naturally, that ruin would

This article is an excerpt from Mr. Chamberlain's exciting analysis of *The Roots of Capitalism*. Princeton: D. Van Nostrand, 1959.

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shortly encompass both the automobile industry and the American economic system as a whole. But the predictions lacked fire and cogency – and nobody emerged with the power of persuasion to head Ford off.

Exploding Economic Myths

With great force, precision, and originality Walker exploded one by one the "laws" laid down by England's gloomy men when the science of political economy was largely a series of deductions from premises that had not been sufficiently tested by observation of facts. After Walker had written his articles and books there was no longer any warrant for believing that wages are paid out of a circumscribed wage fund, or that profits are wrung out of the hide of the worker by keeping him close to subsistence levels, or that the entrepreneur "steals" his profits by seizing the laborer's "surplus value," or that every increase in production must eventually go into the pockets of the landlord in the shape of the "unearned increment" of skyrocketing rents or mounting charges for raw materials.

In his writings on wages and rents Walker appeared in the guise of the Great Unstiffener. He carried on his role in his consideration of profits.

It is a commonplace that one can find forty different definitions of profit in as many books on economics. To the businessman, a profit is what is left when he has paid his costs; it is the difference between red ink and black. To the economist who believes that an economic system strains toward equilibrium, profit is a temporary thing which is destined to disappear whenever competition in a given field of endeavor has reached the point of saturation. To a Marxist, profit is wrung from the poor by taking from the worker the "surplus value" he creates over and above the cost of his subsistence. And to believers in an illusory "perfect competition," profit is a monopolistic charge which the proprietor of a patent or the possessor of some temporary secret piles on top of the "natural" price which is compounded of costs plus the "wage" of management and the interest paid out for the loan of capital.

To Walker, most of these definitions seemed sterile; they tended to miss the point of motivation, and they ignored the social function of profit, which is to guide production and provide the wherewithal for new investment. They also missed the point that some men have special aptitudes, a special faculty for seeing where labor can be most creatively employed.

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To state the matter in the more rounded terms of John Bates Clark, the man of entrepreneurial skill will know what to risk in payment for the relative productivity of "last units" of land, labor, and capital, and will make a profit if his calculations are correct.

But it was Walker who first accented the "where" as well as the "how." In order to clarify his theory, Walker considered profit as something more than the remuneration for the use of capital, something more than a "reward for abstinence," or for taking the risk of loss. Such remunerations, such rewards, were covered adequately by the term "interest." Beyond the concept of interest there was another thing – the entrepreneur's share of the product of industry, which could be great or small, depending on the ability of a special breed of man.

By limiting his idea of profit to the share which is due the man who exercises the "entrepreneurial function," Walker directed the attention of economists to a fourth species of reward in the distribution cycle. Schumpeter and others have tended to accept this idea of a "fourth" reward in addition to *wages, rent, and interest*—but they have tried to circumscribe it by defining it as a "payment for innovation," as something which one willingly gives to an inventor for enlarging the productive horizons of man. To Walker, innovation was indeed a part of the entrepreneurial function. But there was considerably more to it than that.

The Entrepreneurial Contribution

During Walker's lifetime, the consumer cooperative movement in England had had considerable success. But nearly all the attempts of labor to form producer cooperatives had come to grief. Surveying the wreckage of these attempts, Walker concluded that the entrepreneur, far from being an excrescence on production, was really the heart of it. An imaginative entrepreneur, with a good grasp of market possibilities and internal shop economies, was worth more to the working classes than fine gold. It was the entrepreneur who brought jobs into being in the first place, and who enabled the worker to use his talents in the most marketably worthwhile manner in the second.

Concentrating upon the entrepreneur's special talents, Walker concluded that profits bore more than a superficial resemblance to rent. For, just as there were no-rent lands which produced for the market at the bottom margin of cultivation, so there were no-profit industries which somehow staggered along, consuming savings or proceeding from bankruptcy to

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bankruptcy. The capitalist received his interest from no-profit industries willy nilly; either that, or he took over as receiver. In the no-profit company, the entrepreneur could gain no recompense beyond a salary for putting in his time and efforts; he was like a landlord who had to be satisfied with barely enough income from property to pay the taxes. But as a company "measured up" from the no-profit margin, there was more and more to spare for the enterpriser who could devise the ways of improving unit productivity, or of increasing the sales.

Walker observed that profits, like rent, do not figure in selling price under properly competitive conditions. For, just as the price of wheat is set at the margin by the wheat grown on no-rent lands, so is the price of an industrial product set at the margin by the output of the no-profit company. Profits, then, are the special creation of the ability, the know-how, the inventiveness, the foresight, the imagination, of the superior executive. They are, in effect, not added into price but *taken out of the cost.*

Walker doubted that the entrepreneur could take all of the increased wealth he brought into being by cutting costs and enlarging the market. For every time an entrepreneur improved a given company's position, he made it harder for incompetent companies at the no-profit margin. Some of these companies would be forced out of business by the successful entrepreneur's action. By "leveling up," then, the competent employers who were both willing and able to pay more in order to raise the standards of efficiency would be left to dominate a given field. Society would be better off all around, for the efficient company, in addition to paying more in wages as an efficiency-lure, is obviously in a better position to charge less for its product and to plow more funds back into research.

Profit: The Driving Force

By keeping his eye on the specific contribution of the entrepreneur, Walker isolated profit as the driving force of industrial progress. Theoretically, an equilibristic economic system might outgrow the need for the enterpriser's special abilities. But Walker, with his eye on what was happening around him in America, knew that the good enterpriser is always able to turn equilibrium (another word for stagnation) into dynamic change. He doubted that the world would ever reach a stage in which all secrets have been discovered, all potential wants plumbed, and all opportunities exploited to the uttermost limits of human in-

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genuity and human energy. Such a stage might be imaginable, but only at the close of the evolutionary cycle. Obviously, the human race had not reached that point in Walker's lifetime. Indeed, the possibilities of American technological ingenuity, spurred onward by the entrepreneur with the vision to see its market applications, had just begun to unfold in the days when Walker was establishing a specifically American economics to explain the du Ponts, the Sears Roebucks, the Fords, and the Bethlehem Steels which would emerge in the post-Walker generation.

Walker, of course, lived before the dynamics of mass production had become the distinguishing feature of the American economic landscape. When he was writing, people still believed in Adam Smith's more or less static "natural price." Smith had defined the natural price as the sum of the cost of production (labor, etc.) which had gone into the article, plus the going rate of profit on capital in the neighborhood. But this simple definition did not reckon with the dynamic effect of the good entrepreneur on cost of production *and* profit.

By separating the two concepts of interest and profit, and by showing that profit was something saved on cost, Walker had destroyed the possibility of considering "natural" price as a simple sum. The natural price was whatever the enterpriser could make it: if he could perform the seeming miracle of expanding production and sales by rearranging his tools and simultaneously raising the wage and lowering the price, the "natural" basis for price could be changed overnight. This is essentially what Henry Ford did, and it has been done over and over again since his day.

The Ford system of pushing the use of labor-saving machinery way past the "break even point" of clearing expenses on the tooling was still in the womb of time when Walker lived. But by removing the blocks which had prevented economists from seeing that wages and profits – and the price – were dependent on the entrepreneur's imagination in a dynamically interrelated way, Walker cleared the theoretical ground for Henry Ford in particular and for the American system in general. In our national emphasis on doing, on action, on the method of cut-and-try, Walker has been overlooked in the history of our thought. But generations at the Yale Sheffield Scientific School and the Massachusetts Institute of Technology listened to him – and the seed must have sprouted in industry in a myriad uncelebrated ways. • • •

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A. DEVANEY, INC., N. Y.

FRANCIS AMASA WALKER (1840-1897)

NOTWITHSTANDING all the magnificent premiums of business success, the men of real business power are not so many but that no small part of the posts of industry and trade are filled by men inadequately qualified, and who, consequently, have a very checkered career and realize for themselves, taking their whole lives together, a meager compensation, so meager that, for purposes of scientific reasoning, we may treat it as constituting no profits at all. Live they do, partly by legitimate toll upon the business that passes through their hands, partly at the cost of their creditors, with whom they make frequent compositions, partly at the expense of friends, or by the sacrifice of inherited means. This bare subsistence, obtained through so much of hard work, of anxiety, and often of humiliation, we regard as that minimum which, in economics, we can treat as *nil*. From this low point upwards, we measure profits.

If this view of the employing class be correctly taken, it appears that, under perfect competition, that is, where the conditions of a good market are supplied, manufacturing profits, for instance, are not obtained through any deduction from the wages of mechanical labor; and, secondly, manufacturing profits do not constitute a part of the price of manufactured goods.

The preceding article by John Chamberlain will serve to introduce Professor Walker. These are excerpts from the 1888 third edition of his advanced course in *Political Economy*.

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The price of manufactured goods of any particular description is determined by the cost of production of that portion of the supply which is produced at the greatest disadvantage. If the demand for such goods is so great as to require a certain amount to be produced under the management and control of persons whose efficiency in organizing and supervising the forces of labor and capital is small, the cost of production of that portion of the stock will be large, and the price will be correspondingly high, yet, high as it is, it will not be high enough to yield to the employers of this grade any more than that scant and difficult subsistence which we have taken as the no-profits line.

The price at which these goods are to be sold, however, will determine the price of the whole supply, since, in any one market, at any one time, there is but one price for different portions of the same commodity. Hence, whatever the cost of production of those portions of the supply which are produced by employers of a higher industrial grade, they will command the same price as those portions which are produced at the greatest disadvantage. The difference, so measured, will go as profits to each individual employer, according to his own success in production.

Profits Not Subtracted from Wages

Do profits, then, come out of wages? Not at all. The employers of the lowest industrial grade — the no-profits employers, as we have called them — must pay wages sufficient to hire laborers to work under their direction. These wages constitute an essential part of the cost, to the employer, of the production of the goods. The fact that these wages are so high is the reason why these employers are unable (their skill and power in organizing and energizing labor and capital being no greater than they are), to realize any profits for themselves.

The employers of the higher industrial grades will pay the same wages to their laborers. Why, in equity or in economics, should a laborer who works for a strong, prudent, and skillful master, receive higher wages than one whose fortune it is to work for a vacillating, weak, or reckless employer? The one laborer is as efficient as the other, and works as hard. The difference in production, which enables the employer to secure a profit, is due to no superiority in the quality of the labor or the capital employed, over that of the labor and the capital employed where no profits are realized. It is due to the superior abilities or opportunities of him who conducts industry.

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In the latter case, the employer, paying wages at the same rate to his laborers, and interest, at the same rate, to the capitalist, for so much as he has to borrow, and selling his goods, so far as they are of equal quality, at the same price as the employer who makes no profits, is yet able to accumulate a clear surplus after all obligations are discharged, which surplus is called profits. This is effected by his careful study of the sources of his materials; by his comprehension of the demands of the market; by his steadiness and self-control in the presence of temptations to extravagance or wild ventures; by his organizing force and administrative ability; by his energy, economy, and prudence.

A Misplaced Sympathy for the Underdog

A failure to discern the true relations of profits to wages has led to a mistaken appreciation of the interests of the community, and especially of the laboring classes, regarding the employers of labor. While the large profits of the successful employer have been the subject of much jealousy, and almost uniformly excite in the minds of the unthinking the sense of personal wrong, there is an entire lack of jealousy exhibited towards the unsuccessful man of business, who often receives a great deal of sympathy from the laboring class.

So far as the sympathy extended towards the unsuccessful man of business is of a personal nature, flowing from a kindly disposition towards the unfortunate, it is, of course, very amiable. But there is reason to believe that this sentiment is not wholly of a good origin, but is quite as largely produced by a misapprehension of economic relations. The laborers appreciate, in some degree, the cares under which the unsuccessful employer labors, the anxieties from which he suffers, the humiliation into which he is occasionally plunged. They know he has a pretty poor time of it on the whole, and they are not envious of him. On the contrary, they use his hard lot to sharpen their envy of the man who reaps large profits from the conduct of business and the employment of labor. They compare the rich rewards of the one, who, perhaps, in time, becomes worth his millions, with the meager recompense of the other, who, at the end of a long life of labor, has little to show for it all; and the comparison tends to heighten the feeling of loss and of wrong with which the gains of the former are contemplated.

If, however, we have rightly indicated the source of profits, not only is the unsuccessful employer

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deserving of no special economic sympathy, but his conduct of business, his control of labor-force and capital-force is at a great cost to the laboring class, as forming a part of the general community.

Profits are measured upwards from the level of the no-profits class of employers; and any cause which brings incompetent persons into the conduct of business, or keeps them there against the natural tendency of trade to throw them out, increases the profits of the successful employers, as a class, by enhancing the cost of production and, consequently, the price of that portion of the supply which is produced at the greatest disadvantage. This enhancement of price is at the expense of all who consume the goods so produced; the laboring class equally with others, in theory; probably in fact more than any other, on account of their limited ability to look out for their own interests in retail trade.

Causes of Incompetency

What causes help to swell the proportion of incompetent employers of labor? Shilly-shally laws relating to insolvency do this; bad money does this; truck does this; protection, in my judgment, does this. Each of these causes enables men to escape the consequences of incompetency, and to hang miserably on to business, where they are an obstruction and a nuisance. Slavery, in like manner, enables men to control labor and direct production, who never would become, on an equal scale, the employers of free labor; and it is not more to the inefficiency of the slave than to the incompetency of the master, that the unproductiveness of chattel labor is due.

The lower the industrial quality of free labor, the more ignorant and inert the individual laborer, the lower may be the quality of the men who can just sustain themselves in the position of employers. Men become the employers of cheap labor who would never become the employers of dear labor, and who ought not to be the employers of any sort of labor. The more active becomes the competition among the wages class, the more prompt their resort to market, the more persistent their demand for every possible increase of remuneration, the greater will be the pressure brought to bear upon such employers to drop out of the place into which they have crowded themselves at the cost of the general community, and where they have been able to maintain themselves only because the working classes have failed, through ignorance or inertia, to exact their full terms. • • •

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STRIKERS are BOUND to LOSE

Some Lessons the Steel Strike Didn't Teach

PAUL L. POIROT

A MAJOR STRIKE, such as the recent one by steelworkers, focuses attention on the corruption of union leadership, the unwarranted violence attending strike action, and the impropriety of compulsory union membership. Indeed, such a strike might even spark legislative action to withdraw or qualify to some degree the monopolistic powers granted labor unions through earlier legislation.

On the other hand, the steelworkers will have had a sounding board for their resentment of the high salaries paid to management officials of the various steel companies and the profits earned by the most successfully managed operations.

But the charges and countercharges and emotional and physical disturbances of a strike throw no light whatsoever on a fundamental issue raised by General Francis Amasa Walker long before there was either a U.S. Steel or a steelworkers union. (See the excerpts from his writings on pages 10-13 and the related article by John Chamberlain on pages 5-9 of this issue of THE FREEMAN.)

Walker's irrefutable observation is that profits are taken out of costs – not added to prices. The more steel *profitably* produced, the greater will be the downward competitive pressure on steel prices, tending to squeeze out of business the least efficient managers, the high-cost marginal producers. These "no-profit" producers can least afford to pay high wages, and therefore tend to hire the least efficient workmen, yet their marginal production at high cost determines not only the price of steel for the entire industry but also the level of wages that will be paid to all steelworkers.

If this point were understood by steelworkers, it would revolutionize the entire concept and *modus operandi* of unionism. Industry-wide bargaining, with insistence that every steel company sign an identical contract, should be the last thing any self-respecting steelworker would want. For he would see that under such an ar-

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rangement his own wage, regardless of his skill and productivity, couldn't possibly rise above the wages paid to the least efficient workmen by the "no-profit" managers.

The enlightened steelworker would start seeking a new type of union leader. Indeed, he would turn for leadership to the very man the union bosses have been most vigorously denouncing: the highest paid executive of the most profitable steel company in the business. This manager's record shows that he is most capable of cutting costs. This means that he could afford to offer the highest wages in the industry for the most highly skilled workmen, and that he would actually do that very thing – if the union would let him – in order to maximize the profitability of his business.

If steelworkers want to be more highly paid, the surest way is to produce more steel, at greater profit to the company (which means at lower costs). The more this can be done, the more will the "no-profit" managers and companies be chased out of their unworthy undertakings. Then, and only then, can the market prices of steel decline in response to keener competition. And not until that happens will there be any great requirement upon or incentive for successful management to pay higher wages in order to obtain and hold the best workmen.

According to Walker's view, the trend has been entirely in the wrong direction – and organized labor has spearheaded that drive, to the grave detriment of society generally and to the injury of all but the least worthy of its own membership. The effect of industry-wide bargaining has been to perpetuate in business the "no-profit" steel operators, whose high costs hold steel prices up and steelworkers' wages down.

The same results are obtained through featherbedding and slowdowns and absenteeism and all the other union devices that tend to equalize the output of a good workman and a poor one – of profitable management and "no profit" management. The result is less steel at higher prices and at lower wages than would otherwise be effected through active competition.

Other equalizing devices that work in the same general direction are minimum wage legislation; unemployment compensations that have been forced toward prevailing wage rates; excess profits taxes that deprive the successful of the rewards for cost reduction and of the means and incentive for expansion; the arbitrary awarding of government contracts to companies that "need

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help" – indeed, the whole "caboodle" of welfare state practices, which generally have had ample support from organized labor.

These are a few of the things upon which the recent steel strike shed little light, if any. But the light struck in the nineteenth century by men such as Walker still flickers – ready to show the way to labor union members, the American public, anyone who has had enough of coercive political management of his life and who seeks a better alternative. • • •

LEARNING by DOING

E. F. HUTTON

IDEAS made possible our nation's growth. We are a venturesome, valorous, risk-taking people who backed ideas with savings.

If the labor unions would back their ideas with the money collected from their dues-paying members and, instead of striking against business, go into a business for themselves and prove that they can operate it – can run full time at all times, pay higher wages than present management, have shorter hours, better working conditions, and make enough money to keep operating and pay their shareowners (dues payers) a fair return on their investment – they would get a better education in the relationship of profits to jobs and job security, to the standard of living, and of productivity to wage increases.

Steel men, automobile men, coal mining men, mill owners, and hundreds of others have twitted unions to make good their claims to buy a company, run it, and prove they can do so better than those they now criticize and strike against. It's wide open, and all can step in and try it. But, Mr. Unionman, don't overlook the 52 per cent federal tax on profits.

The big unions are reported to have millions of dollars on hand. Why not buy a company, and run it, and prove that wages can be increased without setting the stage for higher inflation?

Mr. Hutton is the well-known industrialist, investment banker, and author of the column, "Think It Through."

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ENJOY YOURSELVES!"

E. W. DYKES

OPTIMISM is a wonderful attitude but only to the point where it begins to blind us to realities for which real solutions need be found. As an example of what may be over-optimism we are told again and again that "the sixties" will usher in the most fabulous wave of prosperity we have ever enjoyed – so relax, and enjoy it. In one form or another this theme is being drummed by writers and other assorted observers.

Recently, following the usual banquet fare, I heard an unusually talented speaker not only make the prophecy but support it with a number of detailed reasons which deserve our attention. But if I understood him, three of his five principal reasons would actually work against prosperity, while the other two would have little meaning unless accompanied by the prime adjunct to prosperity – the creation of the tools of production! Let's take a look at the reasoning which dominates the optimistic view of prosperity unlimited.

REASON #1: *"There is an unprecedented increase in our birth rate and population."*

If this reason were valid, the people of China and India would be enjoying a prosperity so fabulous it would put ours to shame. Ask any family man if having another mouth to feed makes him thereby more prosperous. Clearly, quite the opposite is true.

The increase in population, if present levels of living are to be maintained, means that capital investment must be sufficient not only to replace obsolete tools but also to provide all the tools needed by all the persons added to the population. Five million new job holders, for instance, would require tools costing between 50 and 75 billion dollars at today's prices – plus billions more to cover obsolescence – all this just to stay even. To increase living standards would

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require still further investment in tools. An arbitrary increase in tools, say $1,000 more per job holder, would call for an additional 75 billion dollar investment. Since all this could come only from savings, the enormity of the task is obvious.

REASON #2: *"Both political parties now are committed to the principle of 'Full Employment.'"*

Again let's look at India and China. About nine persons out of ten in these countries, including children, are busily engaged scratching a bare living from the soil while one of ten is left for all other forms of production. This preponderant number of "farmers" is due to their primitive production methods. Full employment means little unless accompanied by full production. Full production flows from the most efficient use of the best known tools. Full employment in those countries does not make the people wealthy.

Actually, political parties, as such, have no control over "full production." Politicians always speak of "full employment" – not "full production." It is possible for the political party in power to "make" work to employ persons, and the taxing power even yields capital for such a purpose. However, it is capital which, in the hands of its rightful owners, might have created truly productive and lasting jobs for the unemployed.

To test this idea of "full employment," why not cancel all freight runs of the Pennsylvania Railroad and give jobs to the unemployed to carry the freight on their backs from New York to Chicago and points between? If we used all the unemployed people in the world, we might still be short of freight-carrying ability. But they would be "fully employed."

Political parties, because of their mischief in the past, now have a job to do for full production: remove the roadblocks to investment which take the form of confiscatory taxation – take away the barriers to incentive – do away with the laws which give one group of citizens unfair advantages in "bargaining" with other citizens. And then let them stay out of the business world entirely. That would be a real service.

REASON #3: *"We are in a period of controlled but continuous inflation."*

Inflation, "controlled" or otherwise, is a deterrent to savers and therefore to investment in the capital tools which increase production. Few threats to prosperity are greater than that insidious robber which is inflation. When persons are aware that their savings are losing value, they become

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spenders rather than savers. Strangely, it is often our chief executive or high government officials who warn us about inflation – yet only the Congress can do anything about it. And very simply, too. Just balance the budget – that's all.[1] For all practical purposes, inflation would end.

REASON #4: *"Automation will increase the country's productive capacity so much that employees will have shorter hours and higher pay."*

This is true – if – if the immense sums of money necessary to produce such equipment are made available. Neither political party has a record with respect to tax policies which encourage such savings and investment. If the money is not forthcoming, then automation, for the most part, will be a dream. Politicians, labor leaders, and citizens generally need to recognize this fact; most businessmen already know it.

REASON #5: *". . . . Because of the tremendous capacity, energy, and ingenuity of the American people."*

Americans, just because they are Americans, are not endowed with superman qualities. Freedom of the individual to invest, to invent, to keep most of the fruits of his own labor is the factor which has made Americans appear to be so energetic and ingenious. Recent political activity has done little but chop away at the basic American freedoms. It follows, of course, that only damage can result from such political activities instigated, as always, "for the common good."

In summary, then, may it be suggested that the large quantity of invested capital per unit of population primarily accounts for our high level of living. With bare hands we could do no more, perhaps less, than savages can do. If there are more of us, it takes that much more capital. Automation, truly the wave of the future, requires fantastic investments. Few of the spokesmen in either political party show any signs of understanding this basic economic fundamental, much less doing anything about it. They often refer to our "free enterprise system," which is anything but free. What is needed, truly, is a return to the free market, a cessation of deficit financing, abolition of the progressive tax, and a whole new outlook oriented toward opportunity as the best path to security. • • •

[1]Balancing the federal budget, of course, would require some cooperation from the constituents of congressmen. For a further discussion of this point, see "Naive Nervousness" by Leonard Read in the August 1959 FREEMAN, page 32.

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FREDERICK A. MANCHESTER

• Dr. Manchester views a timely subject from still another angle (see his "Apropos of the Presidency" in *The Freeman* for June 1959), and argues for what is in essentials the Constitutional method of choosing our Chief Executive. Commenting on the present article, he says: "I am of course under no illusion, as I trust I make plain, that my plan, or any other closely resembling it, will be put into practice in the immediate future. Before that can happen, an enormous change must take place in the political outlook of a sufficient number of us to constitute a prevailing influence, direct and indirect, in the councils of government; and this change, as you of *The Freeman* never tire of insisting, can come about only through a process of education. I should like to think that in this process the survey of an important topic I here make, and the considerations I assemble and bring forward, might play a useful part."

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JUST ONE MORE of our involuntary, unplanned trips around the sun, and we in America shall be engaged in an act of literally incalculable importance. We shall be selecting our next President. Over the years a particular way of doing this has developed, one which has grown so familiar that we are likely to take it for granted, good-naturedly tolerate its half-realized defects, and fail to consider whether another and better may not be found. Perhaps the surest stimulus to reflection upon this topic is a fresh, frank look at the established procedure.

This has two main stages: first, the nominating of candidates; second, the choosing from among the candidates in a popular election.

Nominations by Politicians

The nominating is done neither by the nation, nor by the states, nor by any agency of either, but by voluntary associations of voters, of fluctuating membership, known as political parties. These vary in number, but two have long predominated, the Democratic and the Republican. Each of these has an organization in each state, as well as a national organization, and each state organization sends delegates of its own choosing, or else delegates chosen by party voters in a primary election, to a convention known as a nominating convention. It is this body which selects a party candidate for President – and also a party candidate for Vice-President.

The convention has a set program. It disposes of various routine matters, adopts a statement of party policy, called a platform, which probably few read and fewer take seriously, and finally gets to its principal business. In a book published in 1924 a former Solicitor General of the United States describes the convention of his time:

> Twenty thousand men and women are gathered in a great hall to witness the so-called "deliberations" of the representatives of a political party. Everything is done to give to such a convention the character of a vulgar hippodrome. . . . When nominations are made, a hysterical speech is bawled out through the media of amplifiers, and then follows an organized and purely mechanical demonstration, whose purpose is to surpass all past records in prolonged and meaningless noise. Men with stop watches keep the record of the vociferous cheering as though it were a horse race, and upon the faintest indication that it is diminishing all manner of circus tactics are resorted to to keep up the enthusiasm. When previous records of meaningless noise have been shattered the vocal volume is reluctantly permitted to die down. No votes are influenced, and all that has been accomplished is a meaningless spectacle, at which the world

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stands in amazement. If Washington or Franklin were to visit such an assembly of either of the two historic parties of American politics, would they not gaze at each other in stupefaction and say: "Is this Bedlam, or is it America?"[1]

Had the great men just mentioned been at the Democratic Convention of 1924 at the moment when Franklin D. Roosevelt finished nominating Alfred E. Smith, their answer to the question, "Is this Bedlam, or is it America?" could hardly have been doubtful. Thus, in part, the *New York Times*, June 27, reported:

> The fingers pressed the buttons. The contact was made. Volcanoes of sound burst forth, shrill, unearthly, and horrible. It was a screech of charging squadrons of ambulances and speeding hook-and-ladder trucks, a mingled racket which New Yorkers associate with falling buildings, six-alarm fires, elevated collisions, Black Tom explosions, and other great calamities. Men and women . . . leaped to their feet and staggered about, shell-shocked. Although the Garden was crowded and seats at a premium, scores rushed out and never came back.[2]

An Earlier Philadelphia Convention

And no wonder! As the *Times* reporter observes, "the electric claque had come into its own." One recalls by contrast the conditions under which an earlier political convention performed its duties. The Constitutional Convention of 1787 met in the Pennsylvania State House in Philadelphia, and during its use of this building, according to a local annalist, "the Chestnut Street pavement was covered with earth to silence the rumble of wheels."[3] The times seem changed indeed, and we with them.

But this, after all, is hardly fair. The Philadelphia convention assembled to deliberate, and as a convention it deliberated. The modern nominating convention proceeds otherwise. "While the delegates and onlookers are being . . . entertained . . . the real business of the convention is being transacted elsewhere behind closed doors. From the time that the first delegations arrive until the final ballots are cast, the aspirants [to the nomination for President], their managers, and the leaders of delegations are engaged in continuous conferences and negotiations. It is here that the final strategy of the battle is agreed

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[1]Beck, James M., *The Constitution of the United States.* Revised and with additional material by James Truslow Adams. Garden City, N. Y.: Doubleday, Doran & Company, Inc., 1941. p. 234.

[2]Graper, Elmer D. "How Presidents Are Nominated." *The Annals of the American Academy of Political and Social Science*, Vol. 259: *Parties and Politics: 1948* (Philadelphia, 1948), footnote, pp. 60f.

[3]Beck, *op. cit.*, p. 303.

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upon, the promises given and exacted, and the deals arranged."[4]

On occasion, it appears, the locale of "deals," as in the following instance, may extend far beyond the "closed doors," and important influence may be exerted by a person having no connection whatsoever with the official nominating agency. We owe to Henry L. Stoddard's *It Costs To Be President* this circumstantial account of certain events which took place in connection with the Democratic Nominating Convention of 1932 (the passage is long, but so variously and eloquently suggestive that I hestitate to abbreviate it):

> Roosevelt realized that he must make a drastic move. He had to have aid.
>
> There was just one man who could supply enough votes in a bunch to insure success. That man was William Randolph Hearst. He was sponsor for the John Nance Garner boom. He had persuaded the Texas Congressman into the race and had aided him to carry the Texas delegation. He was solely responsible for defeating Roosevelt in the California primaries, and for instructing the Golden Gate delegates, headed by William Gibbs McAdoo, for Garner.
>
> Roosevelt knew that there was no need to open negotiations with Garner and his lieutenants; the real decision was with Hearst—the others could be talked with later. Farley was given the job of telephoning Hearst at his Sam Simeon ranch in California. He did it. Straight to Hearst went the Roosevelt argument that "if you don't take me you will get Smith or Baker." That was no news to Hearst; he had foreseen that possibility. He preferred Roosevelt to either of the other two.
>
> Two hours later Paul Block, the well-known publisher, and I sat in his room for a good-night exchange of opinion. He then said that he had been talking over the telephone with "W. R." and that a deal had been arranged by which the 69 Texas and California delegates, after complimenting Garner on two or three ballots, would swing to Roosevelt. He added that Garner would go on the ticket as Vice-President and McAdoo was to have no opposition in California for the Democratic nomination for U. S. Senator.
>
> The news was in confidence, however, for Hearst, of course, had no power to release delegates pledged to any candidate. That was for Garner and McAdoo to do. Hearst, however, undertook to talk with both of them and with Mayor Cermak of Chicago, who controlled the Illinois delegation. He persuaded all three that after a few ballots they should turn to Roosevelt, and they did.[5]

Roosevelt of course got what he wanted.

[4]Graper, *op. cit.*, p. 61.

[5]Norton, Thomas James. *Undermining the Constitution.* New York: The Devin-Adair Company, 1950. pp. 285f.

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Harry S. Truman's nomination for the Vice-Presidency led him swiftly to the Presidency. How did it come about?

It was by the action of a group of bosses who did not like Henry Wallace that Harry Truman became the Democratic candidate for Vice-President in 1944. Edward J. Flynn, who frankly calls himself a boss, gave his version of the events in his remarkable book, *You're the Boss.* Flynn, at the direction of President Roosevelt, got together a sort of committee of bosses and other politicians to consider the candidate for Vice-President. Among them were Robert Hannegan of St. Louis, Edward J. Kelly of Chicago, and Flynn. "The question of Senator Truman's association with the Pendergast machine was thoroughly discussed," wrote Flynn, and "he just dropped into the slot."[6]

It is worth remarking that in the curious ways just related we obtained two recent Presidents whose administrations witnessed, or confirmed, revolutionary changes in our mode of government.

As to the role played by rank-and-file delegates to national nominating conventions, we have now perhaps inferred enough to be prepared for the following statement:

> In theory the convention delegates who nominate the candidates are the representatives of the party voters, but in practice they are pawns in the complicated game of party politics played by powerful state party bosses.[7]

The November Choice

The second stage in the current process of selecting Presidents is the November election. In this the people choose, not necessarily the man they would like for their Chief Executive, but the one they prefer among the candidates named by the party conventions. Many make their choice for reasons intelligently and conscientiously arrived at on the basis of adequate knowledge – but few will think that these constitute more than a minor fraction of the voting electorate. Who has not wryly reflected, at one time or another, that the considered decision he registers at the polls is certain to be canceled over and over again by the utterly incompetent? "Reason has small effect upon num-

[6]McKean, Dayton David. "Political Machines and National Elections." *The Annals of the American Academy of Political and Social Science,* Vol. 259: *Parties and Politics: 1948* (Philadelphia, 1948), p. 46.

[7]Graper, *op. cit.,* p. 53. A prominent weekly (June 22, 1959) remarks regarding a contest between two aspirants for the 1960 Republican Presidential nomination: "Outcome will depend upon decision by the party's political leaders on who is most likely to win." Where, then, do the convention delegates come in?

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bers," said Lord Bolingbroke long ago: "a turn of imagination, often as violent and as sudden as a gust of wind, determines their conduct."[8] A. L. Rowse (writing in 1947) describes as the "Rationalist Fallacy in political thinking" the "assumption that human beings largely act in politics upon rational motives and trains of intelligent reasoning." His comment is trenchant: "We in our time, alas, know what fatuous nonsense this is. The whole life of the society of our time is strewn with ocular demonstrations of its falsity."[9]

The Precinct Worker

Now if anyone has the courage to face universal suffrage at its worst, I invite him to learn about the activities of the party precinct worker in the less prosperous areas of our great cities.[10] This man's function is to get and hold votes for his party. To this end he labors not merely at election time but the whole year round. Let us glimpse at him on his job.

At one level he has the "responsibility for a certain amount of 'entertaining,' as witness the neighborhood club, the picnics and clambakes, and the free beer." He makes himself the ever-ready friend. He "provides food, clothing, coal, and rent or lodging to his needy constituents. He manifests an interest in children by helping widowed mothers secure pensions, by arranging for the adoption of children, by procuring birth certificates or work certificates"; he serves "as family adjuster, especially when the ways of the foreign-born parent clash with those of his American-born child." He is on hand in illness and bereavement with "warm sympathy and good fellowship," and as he "mourns with his neighbors, so he rejoices with them by attending weddings and sometimes christenings." But enough of such detail. He is, one sees, kindness itself.

Against the hospitality and the benevolence thus far suggested, what can one say? Nothing, nothing at all – apart from the primary, impelling, essentially illegitimate and shameful motive. But there is a lower level. Here the precinct worker, in the interest of his constituents, tampers with the law. One way of doing this is to accomplish a "fix." A "matter particularly subject" to this amiable and brazen art is bail.

[8] Wallas, Graham. *Human Nature in Politics*. London: Constable & Company, Ltd., 1948. p. 174.

[9] Foreword to Wallas, *op. cit.*, pp. xiii-iv.

[10] The brief account that follows makes free use of "The Precinct Worker," by Sonya Forthal, published in *The Annals of the American Academy of Political and Social Science*, Vol. 259: *Parties and Politics: 1948* (Philadelphia, 1948).

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The "fix" sometimes starts with the police officers, the janitors of the court, the clerks, or bailiffs. The trail may lead through the ward committeeman to the judge, in all cases depending upon the influence of the fixer and the power of his party. For minor offenses in the local police station, some precinct workers find the promise of a few dollars to an official or the assurance of a job to an ordinary "cop" sufficient to do the trick. When more serious offenses are involved, the judge is reached through the bailiff or by a party representative higher in the hierarchy, who has power to threaten the defeat of the judge in the next election if the "fix" does not go through.

Is there a lower level still? Let the reader judge. In lodging house areas –

Votes are bargained for in blocks through the owners of the "hobo" hotels. . . . In Chicago, the precinct captain chooses the men and women he desires as election officials, then submits the list to the ward committeeman, who in turn conveys these lists to the bipartisan Board of Election Commissioners, which after a perfunctory examination of these officials, appoints them. In the more congested or river areas, the election officials are not too infrequently pickpockets, card sharks, confidence-game men, or criminals, skilled in the art of manipulating, effacing, or miscounting ballots. . . . The precinct worker . . . smells out votes as a terrier tracks a rat, his methods becoming more desperate as the day approaches when he must prove to the party that he has been working. He draws upon additional aides in his campaign, i.e., canvassers, party challengers, and, in malodorous precincts, impersonators, ballot-treaters, "floaters," or "repeaters." . . . [Money is spent on] hiring "strong-arm men" to intimidate, or hiring extra workers, with or without legitimate functions, but specifically to get their votes. It is evident that one-fourth to one-third of the campaign expenses are used for this purpose alone. The price for the vote ranges from $3.00 to $5.00 or sometimes as little as "two bits."

But enough of all this, too. There are things at which one may prefer only to glance – then pass on quickly.

Just how many meaningless votes our big cities cast in an election – votes seduced by good deeds, exchanged for illicit favors, fraudulently manipulated, falsely counted, bought for a price, or extorted by threat of bodily harm (remember the "strong-arm men"?) – one can only guess; but there would seem little doubt that in a close Presidential election they might be quite sufficient, by themselves, to determine our next Chief Executive, and in so doing to shape in no small degree our national destiny.

Such, then, is our present way of selecting Presidents: a nomina-

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tion of candidates by means that are never to be commended, and that may at times be grotesquely offensive; a popular election in which the outcome may be decided – no one can say how often – by voters who are completely irresponsible.

A Suggested Better Way

My title promises mention of a better way. One is entitled to question, I think, whether there could be a worse. At any rate, I consider myself immune to charges of immodesty – particularly so since what I have to offer is no invention of my own but the method devised by no less eminent a body than the Constitutional Convention of 1787.

By this method, the choice of both President and Vice-President is made entirely (save in circumstances indicated below) by electors appointed by the states in such manner as the respective legislatures may direct, each state being entitled to as many as it has senators and representatives in Congress – but no United States Senator or Representative, or person holding an office of trust or profit under the United States, can be an elector. The electors meet in their respective states and vote by ballot for President, and in a distinct ballot for Vice-President – one of the two not being an inhabitant of the same state with themselves. In accordance with prescribed rules, the results of the balloting are reported to Washington and there examined. The person getting the greatest number of votes for President becomes President – provided the number is a majority of the whole number of electors appointed; if no one gets such a majority, then from the persons having the highest numbers of votes, not exceeding three, "the House of Representatives shall choose immediately, by ballot, the President. But in choosing the President, the votes shall be taken by states, the representation from each state having one vote; a quorum for this purpose shall consist of a member or members from two-thirds of the states, and a majority of all the states shall be necessary to a choice."

The Vice-Presidency is not here our special concern, but it may be added that if no one is named for this office by a majority of all the electors appointed, then from the two persons receiving the highest number of votes the Senate, governed by certain rules, makes the final selection.[11]

[11]The method outlined is the original method as amended, but not basically changed, in 1804. The electoral college is retained in our present method, but for the most part in form only. In any given state – some states in one particular ex-

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If a layman may venture into such a matter, I would suggest that in one respect the Constitutional provision that the electors be appointed by the states, in such manner as the respective legislatures may direct, might well be made more specific. I should like the appointment to be made directly by the legislature (as before 1832 was much done), with the restriction that at least one-half of those chosen should be persons holding no governmental office, federal or state, of any kind. The restriction would bring a completely unofficial, nonpolitical point of view into the selection of Presidents and eliminate one common type of improper influence.

As Provided in the Constitution

My better way is, then, the Constitutional way, with only a minor modification. How is it superior?

Above all, in the hope it inspires that by its use we may obtain, in general, a far higher quality of President than has hitherto prevailed.

The grounds for this hope are many, but chiefly that the method is one of hierarchical selection. The total, unsifted electorate of each of the states selects the members of its legislature. The legislature in turn selects from the state as a whole the Presidential electors. These electors – who may reasonably be expected, in general, to be outstanding citizens, especially informed, intelligent, discerning; and to be honorably sensitive to the trust reposed in them – in their turn select the man who in their belief would best serve the nation as President. The members of the legislature directly, the electors indirectly, represent all of us, so that "the sense of the people" (Alexander Hamilton's phrase) has come into operation.[12] Thus is exhibited in the choice of President the great representative principle – a principle basic in our Constitution.[13]

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cepted (see below) – each party makes up a slate of the number of electors permitted, and if in that state it wins the election, then the electors it has named automatically vote for its candidates for President and Vice-President. The states excepted above are at least five in number. In these the Democratic Presidential electors are not required to support the national party's Presidential ticket. (See syndicated column of Fulton Lewis, Jr., dated June 23, 1959 – reprinted in *The Independent American* for June-July, 1959.)

[12]The phrase quoted – together with the quotations from Hamilton that appear later – is from *The Federalist*, No. LXVIII.

[13]It is this principle, before all else, that should characterize any method of selecting Presidents that is substituted for the one now in use. The aversion of the Constitution to direct democracy is obvious, and it is the more impressive when one considers that suffrage in eighteenth-century America was far from universal. During the Revolutionary period "hardly more than 3 per cent" of the total popu-

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Apart from its authentic embodiment of this principle, the electoral system designed by the Constitution has, in comparison with the present nominating convention, certain special merits. The electors, meeting in the several states, act (in Hamilton's words) "under circumstances favorable to deliberation, and to a judicious combination of all the reasons and inducements" which are to govern their choice; under circumstances, moreover, affording the least possible opportunity for deals and counter-deals, corruption, and intrigue. Further, the choice open to an elector is not limited by many considerations, intrinsically irrelevant, that may influence decisions in nominating conventions. He does not need to ask whether a man he thinks of voting for comes from a politically auspicious section of the country, or from a populous or otherwise strategic state, whether his face is familiar to every newspaper reader in the land, whether he is a past-master in all "the little arts of popularity" (Hamilton's phrase), whether he will be thought to have a witching voice, a taking smile, glamor, charm. In short, he would be free to select a man who comes from politically the most insignificant spot in the nation, whose excellence lies well below the surface, invisible to the crowd, who would unquestionably make a distinguished President—but who would be likely to run an exceedingly poor second in any popular election.

lation could qualify to vote.—Ogg, Frederic A. and Ray, P. Orman. *Essentials of American Government.* New York: Appleton-Century-Crofts, Inc., 1952. p. 123.—"Originally, voting was confined in most states to male owners of a freehold estate in land, with here and there property of other sorts or payment of taxes serving as an alternative."—*Ibid.*, p. 121.

Other Advantages

But not only would the Constitutional plan tend to give us great Presidents – genuinely educated Presidents, wise Presidents – it would secure at least a half-dozen other advantages.

1. It would keep the executive branch of the national government separate from the legislative branch, and completely independent of it – as was clearly desired by the Founding Fathers. Why else the restriction in the Constitution that no Senator or Representative could be an elector? But what have we now? Let us glance at one item of the record.

In the Republican National Convention of 1920, which of course, in effect, named the next President, "there were 18 Senators who had [had] themselves chosen as delegates from nine states, and 4 more who were chosen singly from

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different states. – The Senators represented, or assumed to represent, 400 of 984 delegates. – Senator Lodge of Massachusetts was Chairman of the Convention."[14]

Could there be a more obvious flouting of the spirit of the Constitution?

2. The Constitutional plan would tend to keep the President free from miscellaneous, extra-legislative entanglements, whether originated by his agents and henchmen or by himself. He would have made no promises of office in exchange for financial or other support. He would have placed himself under obligation to no faction or special interest. He would have entered into no preposterous agreement with members of any Thousand Dollar Club contributing to his campaign that each of them "would be taken into the councils of the government."[15]

3. The plan would put an end to the apparent ease with which a President, competent or not, can bring about his own nomination for a second term. The Constitutionally chosen electors would have no special reason for wanting to continue a President in office, and would be expected to do so only in case he had made an excellent record – a consideration that would work especially to put every incoming President on his mettle. At the expiration of every four years freshly appointed men and women would be at perfect liberty to select from the entire nation – the current President of course included – the man they believed best fitted for the office.

4. The plan would have the effect – a probably desirable one in our system – of enhancing the independence and importance of national party organizations and their leaders. The national party conventions, relieved of the nominating function, disburdened in consequence of a horde of curious spectators, quietly deliberative at last, could devote themselves mainly to the drawing up of their platforms. These statements of policy, no longer competing in the election campaign with the speeches of Presidential candidates, would become centers of a new and vivid interest. Party leaders, in and out of Congress, many now little known to the general public, would be the natural and only spokesmen for their organizations, and in this capacity would enjoy a degree of attention that few would have previously experienced, and fewer still would be likely to resent.

5. The plan would assure at all times a proper emphasis on the highly important state and local elections. As things stand now, every four years the election of a

[14] Norton, *op. cit.*, p. 270.
[15] *Ibid.*, p. 280.

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Chief Executive tends to push into the background minor positions and minor issues and so lessen the public attention bestowed upon them. To say that such and such men rode into office on the coattails of a popular candidate for President – what a comment on the soundness, in the instances concerned, of our electoral machinery!

6. The plan would confer on the Presidency an elevation and a dignity which now it can scarcely possess. Its occupant would not have involved himself in pre-convention struggles for delegates (why, incidentally, if delegates are really to deliberate on and choose candidates, should they be induced to commit themselves, months perhaps, in advance?); nor would he have excited animosities in a turbulent and possibly scurrilous campaign. It would thus be easy for him to become, as Washington was, President of all the people. It is true that before he was chosen for the office, he would doubtless have been associated with one or other of the major parties; but when he entered upon his duties, he would certainly, as the superior man we presume him to be, divest himself so far as was humanly possible of party prejudices and prepossessions, function on a plane above the tumult of party strife and antagonisms, and devote himself with maximum disinterestedness to the general welfare.[16]

Possible Objections

I have indicated some of the arguments in support of the Constitutional plan, but thus far I have said nothing of possible – or actual – objections to it.

One of these is doubtless inescapable: it did not work. But to this the answer is easy. As I once heard G. Lowes Dickinson say of Christianity, *it was never tried.* The electoral college, as the electors have been collectively called, "died before it was born. It never had an opportunity of selecting a President in the way intended. In the first two elections the members did not need to make a decision. In every subsequent election the decision was made for them, and eventually no man was chosen for the job unless he were certain to conform to the dictates of the party."[17] In the Constitutional Convention, we are told, "there may have been a vague idea of political parties, but certainly there was no conception of the party organization that was to twist to its own devices the care-

[16]He would not award 185 federal judgeships out of 188 to members of his own party.—See Norton, *op. cit.*, p. 282.

[17]MacBride, Roger Lea. *The American Electoral College.* Caldwell, Idaho: The Caxton Printers, Ltd., 1953. p. 29.

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fully devised scheme of the convention."[18] Comment would seem superfluous. The latest Cadillac cannot be expected to get you to your destination if you begin by wrecking its engine.

A Utopian Scheme?

Another objection is that the scheme is utopian. "But it is common knowledge," writes a political scientist previously quoted, "that the utopian plan of the framers. . . ."[19] Now "utopian" means "pertaining to nowhere," and to call a plan utopian is to say that it is impracticable, a mere product of the fancy, the sort of thing only the naive might be expected to take seriously. What then, one is curious to inquire, can have been the credentials of a scheme that can thus be so casually condemned? Let us see.

Among the distinguished members of the Convention that conceived the plan was Benjamin Franklin, whose reputation for sheer practicality probably exceeds that of any other modern man. Moreover, how the President should be chosen was a difficult question much before the Convention. Of the compromise plan finally adopted it is said that "of all things done in the convention the members seemed to have been prouder of that than of any other, and they seemed to regard it as having solved the problem for any country of how to choose a chief magistrate."[20] Even contemporary adverse critics of the Constitution were impressed. "The mode of appointment of the Chief Magistrate of the United States is almost the only part of the system, of any consequence, which has escaped without severe censure, or which has received the slightest mark of approbation from its opponents." Thus Hamilton.

What Hamilton himself, perhaps the most brilliant man in the entire membership of the Convention, thought of the plan, he has made plain. "I . . . hesitate not to affirm, that if the manner of it be not perfect, it is at least excellent. It unites in an eminent degree all the advantages, the union of which was to be wished for." And, further: "The process of election affords a moral certainty, that the office of President will never fall to the lot of any man who is not in an eminent degree endowed with the requisite qualifications. . . . It will not be too strong to say, that there will be a constant probability of seeing the station filled by characters pre-eminent for ability and virtue."

[18] Farrand, Max. *The Framing of the Constitution of the United States.* New Haven: Yale University Press, 1930. pp. 170f.

[19] Graper, *op. cit.*, p. 53.

[20] Farrand, *op. cit.*, p. 175.

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Somehow, in the face of such credentials as these, it would seem prudent not to dismiss any plan as utopian – especially a plan that has never been tried.

What Democratic Genius?

Another objection is voiced by James M. Beck in his *The Constitution of the United States*. The Constitutional plan was "altogether alien," he says, "to the democratic genius of the American people." In the matter "of the chief magistrate . . . the American people, with their democratic instincts, would never have tolerated any plan that was not in substance and in fact a direct election by the people."[21]

As to the democratic genius of the American people, one may fairly inquire, *What* American people? – inasmuch as our national character has undergone no little alteration in the century and a half, and more, since the framing of the Constitution, and is still in process of change. If the democratic genius referred to is anything like universally present, as one of our marked traits, it must not be confined to the English people but distributed pretty widely among all the races and nations of the globe. However, perhaps a more significant comment on Beck's melancholy view of the electoral system is a memorable remark he makes fifty pages later in his book. "Time may yet vindicate the theory of the framers," he says, "that the limit of democracy is the selection of true and tried representatives."[22] Some of us would venture to suggest that the potential vindication has already taken place.

Again, it may be urged that the President must lead his party, and that this function is inconsistent with the Constitutional plan for his election. A book on American government regards this function as important, and as more or less a by-product of the President's Constitutional position.[23] Now it is not clear that it is important, if by this is meant important to the office of President, and it is less clear that it is a by-product of the President's Constitutional position. Political parties are unknown to the Constitution and therefore were certainly not considered necessary to its operation; and there would seem to be no law in nature requiring that when parties developed one of them should be led by the man chosen for President. The fact that a certain institution or custom has grown up does not necessarily mean that its growth was either inevitable or desirable,

[21] Beck, *op. cit.*, pp. 133f.

[22] *Ibid.*, pp. 183f.

[23] Ogg and Ray, *op. cit.* (footnote no. 13), p. 295.

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nor that a better might not have developed in its place.

Does Congress Need a Leader?

A further possible objection should be anticipated. The congressional legislative process, to be efficient, requires a degree of leadership from the President, it may be said, which, as the nonpartisan President of all the people I have envisaged, he could not give. The strength of this argument would rest, I think, on two misconceptions: one that the paucity of great leaders in Congress needs to exist or continue, and the other that a nonpartisan President could not exert an extraordinary and effective influence.

James Bryce remarks that our Presidents from Jackson to the outbreak of the Civil War in 1861 "were intellectual pigmies beside the real leaders of their generation – Clay, Calhoun, and Webster."[24] If we do not now find leaders in Congress equal to the three senators named – leaders requiring no supplementing from the White House –perhaps a part of the reason is the extent to which the Chief Executive has presumed to make of himself, not merely the Chief Executive, as the Constitution intended, but also Chief Legislator, as the Constitution certainly did not intend. Once the President has withdrawn to the bounds proper to his office, it may well be that Clays, Calhouns, and Websters will again appear, and that we shall no longer read about "the need on Capitol Hill for leadership and direction from some outside source."[25]

As to the great potential influence on legislation of a nonpartisan President, acting distinctly within Constitutional limits, there seems no doubt. The Constitution directs that the President "shall from time to time give to the Congress Information of the State of the Union, and recommend to their consideration such Measures as he shall judge necessary and expedient." No hampering limitation is placed on the frequency or extent of his communications of information, nor on the manner in which his recommendations shall be made. He is at liberty to present his views at any time, at any length, in person or otherwise, and in doing so he may bring into action all the intellect, learning, zeal, and eloquence at his command. He can suggest, if he wishes, a whole program of legislation. The fact that he stood on a level above party and party interests would of itself give a special persuasiveness

[24] *The American Commonwealth.* Abridged Edition. New York: The Macmillan Company, 1904. p. 63.

[25] Ogg and Ray, *op. cit.* (footnote no. 13), p. 263.

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to everything he says. His influence on Congress would be much the same type of influence as that exerted by Washington. Would not that suffice? In any case, to go farther, as has been done, is to violate the principle of separation of powers and so to challenge the wisdom of the Founding Fathers at one of its most critical points.[26]

Such are some of the objections that have been or may be raised against use of the Constitutional plan – one cannot speak of returning to it – and some of the replies with which they can be met. If we never adopt that plan, it will not be because rational objections to it cannot be rationally disposed of, but, as it seems to me, because of two obstinate facts.

The Force of Habit

One is that the momentum of long use of another system is against it, together with the accumulation of what amounts to vested interests. Political bosses and machines are accustomed to the present procedure, know exactly how to take advantage of the opportunities it offers, and would naturally oppose any other that would deprive them of an important part of their power. Ardent Presidential aspirants are, of course, familiar with its every aspect, including prenomination competition for delegates, and would find, under the Constitutional plan, that any political influence they could exert in their own behalf would be reduced to a minimum or be nonexistent, and that any demagogic appeals to the people they might be tempted to make would be without effect. There would be nothing left for them to do – and this is as it should be – but to devote themselves energetically to their duties, whatever these might be, and perhaps, as leisure permitted and their thought on great national issues matured, to present their political views – Lincoln-like – directly to the public. Their one hope of success would lie in rendering themselves pre-eminently meritorious in the eyes of unusually intelligent, perspicacious, and impartial judges.[27]

The Trend Toward Democracy

The other and perhaps still more effective obstacle to adoption of the Constitutional plan is the ob-

[26] What more flagrant violation of the principle in question can be imagined, to cite one instance, than a President's appealing over the head of Congress to the total electorate, and employing in the process all the enormous old and new means of publicity at his disposal?

[27] According to Confucius, "A man should say: I am not concerned that I have no place, I am concerned how I may fit myself for one; I am not concerned that I am not known, I seek to be worthy to be known."

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vious drift, especially for some half century, toward what is thought of as more and more democracy – that is, toward leaving political decisions to direct vote of the total electorate concerned. The substitution, for the Constitutional plan, of choice of the President, in its final stage by the people as a whole, was itself an early move in this direction. The initiative, referendum, and recall (insofar as they have been practiced), the direct election of United States Senators, largely abolishing a main function of the upper house of Congress, and the direct primary (employed in nearly all the states, and including in a part of the states the Presidential primary) are further familiar examples.

Moreover, it is highly significant that while numerous suggestions have been made, either that we choose our Presidents by direct popular election, in one form or another, or that we choose them through popular election of pledged Presidential electors (or the equivalent), only once has it been suggested (so far as I have learned) that we retain the electoral college and at the same time leave the electors free to exercise their independent judgment. The proposals recently (and perhaps now) pending before congressional committees all "abolish the electoral college, permit direct election of the President and Vice-President, and apportion the electoral vote [of each state] to each candidate according to the popular vote he received in that state." One provides "for designation of presidential nominees by direct primary."[28]

Emotion vs. Reason

The general tendency away from the principle of representative government is plain. What, in the deepest and ultimate sense, does it mean?

It means that in determining our political conduct as a people we tend increasingly to substitute impulse, emotion, prejudice, for reason. A nation, in the present context – as A. L. Rowse has hinted – is only an enlarged individual. An individual, in proportion as he achieves genuine civilization, acts not from impulse but from reason; he uses his mind to determine what it is reasonable and right to do, and then puts his will strenuously behind that. In other words, he subdues the irrational in himself to the rational – allows the rational to exercise leadership. A nation should do

[28]From a report (dated May 22, 1959) to Honorable Thomas H. Kuchel by the American Law Division, Legislative Reference Service, The Library of Congress. I am indebted to Senator Kuchel for this report.

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likewise. Its "proper slogan is – *the leadership of the irrational by the rational.*"[29]

Now the irrational element in society is impatient of delay; it would act now and think later – or not at all; it wants what it wants when it wants it; and it holds that the quickest way to get what it wants is to go after it directly. Hence, it has little patience with intermediaries, little disposition to select persons qualified in subjects beyond its competence, allow itself to be represented by them, and abide contentedly by what they think wise and good. Thus the representative principle in government, insofar as it has survived, tends to give way to precipitate mass action.[30]

The momentum acquired by things that have long been as they are, the persisting drive away from the representative principle: these, and especially the second, are indeed formidable foes of any move to adopt the Constitutional plan for selecting Presidents. Some no doubt would say that they are unconquerable, that a radical change of political direction is inconceivable at the present late stage, that we are in fact experiencing the decline of America – a decline as inevitable as the ultimate decline of all things in this flowing universe, republics no less than giant sequoias. But this is not true. Human history, in the aspect here in question, is not determined by anything but the people who live it. "Not in our stars, but in ourselves . . ." When the people will to reverse our present course, they will reverse it. But there must be the will; and this means that enough people to determine national policy must have so far mastered their immediate impulses as to choose the path of wisdom in their political affairs. When they have done this – let us not say weakly *if* they do this – the world will witness a notable triumph. For Senator George F. Hoar was not far wrong when he said:

> The most sublime thing in the Universe, except its Creator, is a great and free people governing itself by a law higher than its own desire.[31]

• • •

[29] A. L. Rowse in Foreword to Wallas, *op. cit.*, p. xv.

[30] Strictly speaking, the representative principle is already nullified when a representative is expected, as is the case today, to be a mere instrument for registering the majority view of his constituents.

[31] Norton, *op. cit.*, p. 298.

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John Stuart Mill Refutes . . .

The Consumer Theory of Prosperity

AMONG THE MISTAKES [of the pre-classical writers] which were most pernicious in their direct consequences . . . was the immense importance attached to consumption. The great end of legislation in matters of national wealth . . . was to create consumers. . . . This object, under the varying names of an extensive demand, a brisk circulation, a great expenditure of money, and sometimes *totidem verbis* a large consumption, was conceived to be the great condition of prosperity.

It is not necessary, in the present state of the science, to contest this doctrine in the most flagrantly absurd of its forms or of its applications. The utility of a large government expenditure for the purpose of encouraging industry is no longer maintained. . . .

In opposition to these palpable absurdities, it was triumphantly established by political economists that consumption never needs encouragement. . . . The person who saves his income is no less a consumer than he who spends it: he consumes it in a different way; it supplies food and clothing to be consumed, tools and materials to be used, by productive laborers. Consumption, therefore, already takes place to the greatest extent which the amount of production admits of; but, of the two kinds

These excerpts, selected by Henry Hazlitt for quotation in *The Failure of the "New Economics"* (Princeton: D. Van Nostrand, 1959) are from Mill's *Essays on Some Unsettled Questions of Political Economy* written in 1830.

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of consumption, reproductive and unproductive, the former alone adds to the national wealth, the latter impairs it. What is consumed for mere enjoyment is gone; what is consumed for reproduction leaves commodities of equal value, commonly with the addition of a profit. The usual effect of the attempts of government to encourage consumption is merely to prevent saving; that is, to promote unproductive consumption at the expense of reproductive, and diminish the national wealth by the very means which were intended to increase it.

What a country wants to make it richer is never consumption, but production. Where there is the latter, we may be sure that there is no want of the former. To produce, implies that the producer desires to consume; why else should he give himself useless labor? He may not wish to consume what he himself produces, but his motive for producing and selling is the desire to buy. Therefore, if the producers generally produce and sell more and more, they certainly also buy more and more.

Overfull Employment

From what has been already said, it is obvious that periods of "brisk demand" are also the periods of greatest production: the national capital is never called into full employment but at those periods. This, however, is no reason for desiring such times; it is not desirable that the whole capital of the country should be in full employment. For, the calculations of producers and traders being of necessity imperfect, there are always some commodities which are more or less in excess, as there are always some which are in deficiency. If, therefore, the whole truth were known, there would always be some classes of producers contracting, not extending, their operations. If *all* are endeavoring to extend them, it is a certain proof that some general delusion is afloat.

The commonest cause of such delusion is some general, or very extensive, rise of prices (whether caused by speculation or by the currency) which persuades all dealers that they are growing rich. And hence, an increase of production really takes place during the progress of depreciation, as long as the existence of depreciation is not suspected. . . . But when the delusion vanishes and the truth is disclosed, those whose commodities are relatively in excess must diminish their production or be ruined: and if during the high prices they have built mills and erected machinery, they will be likely to repent at leisure.

Unreasonable hopes and unreasonable fears alternately rule with

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tyrannical sway over the minds of a majority of the mercantile public; general eagerness to buy and general reluctance to buy, succeed one another in a manner more or less marked, at brief intervals. Except during short periods of transition, there is almost always either great briskness of business or great stagnation; either the principal producers of almost all the leading articles of industry have as many orders as they can possibly execute, or the dealers in almost all commodities have their warehouses full of unsold goods.

General Superabundance

In this last case, it is commonly said that there is a general superabundance; and as those economists who have contested the possibility of general superabundance would none of them deny the possibility or even the frequent occurrence of the phenomenon which we have just noticed, it would seem incumbent on them to show that the expression to which they object is not applicable to a state of things in which all or most commodities remain unsold, in the same sense in which there is said to be a superabundance of any one commodity when it remains in the warehouses of dealers for want of a market.

Whoever offers a commodity for sale desires to obtain a commodity in exchange for it, and is therefore a buyer by the mere fact of his being a seller. The sellers and the buyers, for all commodities taken together, must, by the metaphysical necessity of the case, be an exact equipoise to each other; and if there be more sellers than buyers of one thing, there must be more buyers than sellers for another.

This argument is evidently founded on the supposition of a state of barter; and, on that supposition, it is perfectly incontestable. When two persons perform an act of barter, each of them is at once a seller and a buyer. He cannot sell without buying. Unless he chooses to buy some other person's commodity, he does not sell his own.

If, however, we suppose that money is used, these propositions cease to be exactly true. . . . Interchange by means of money is therefore, as has been often observed, ultimately nothing but barter. But there is this difference – that in the case of barter, the selling and the buying are simultaneously confounded in one operation; you sell what you have, and buy what you want, by one indivisible act, and you cannot do the one without doing the other.

Now the effect of the employment of money, and even the utility of it, is that it enables this

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one act of interchange to be divided into two separate acts or operations; one of which may be performed now, and the other a year hence, or whenever it shall be most convenient. Although he who sells, really sells only to buy, he need not buy at the same moment when he sells; and he does not therefore necessarily add to the *immediate* demand for one commodity when he adds to the supply of another. The buying and selling being now separated, it may very well occur that there may be, at some given time, a very general inclination to sell with as little delay as possible, accompanied with an equally general inclination to defer all purchases as long as possible.

Monetary Manipulations

This is always actually the case, in those periods which are described as periods of general excess. And no one, after sufficient explanation, will contest the possibility of general excess, in this sense of the word. The state of things which we have just described, and which is of no uncommon occurrence, amounts to it.

For when there is a general anxiety to sell, and a general disinclination to buy, commodities of all kinds remain for a long time unsold, and those which find an immediate market do so at a very low price. . . . There is stagnation to those who are not obliged to sell, and distress to those who are. . . .

In order to render the argument for the impossibility of an excess of all commodities applicable to the case in which a circulating medium is employed, money must itself be considered as a commodity. It must, undoubtedly, be admitted that there cannot be an excess of all other commodities, and an excess of money at the same time.

But those who have, at periods such as we have described, affirmed that there was an excess of all commodities, never pretended that money was one of these commodities; they held that there was not an excess, but a deficiency of the circulating medium. What they called a general superabundance, was not a superabundance of commodities relatively to commodities, but a superabundance of all commodities relatively to money.

What it amounted to was, that persons in general, at that particular time, from a general expectation of being called upon to meet sudden demands, liked better to possess money than any other commodity. Money, consequently, was in request, and all other commodities were in comparative disrepute. In extreme cases, money is collected in masses, and hoarded; in

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the milder cases, people merely defer parting with their money, or coming under any new engagements to part with it. But the result is, that all commodities fall in price, or become unsalable. . . .

It is, however, of the utmost importance to observe that excess of all commodities, in the only sense in which it is possible, means only a temporary fall in their value relatively to money. To suppose that the markets for all commodities could, in any other sense than this, be overstocked, involves the absurdity that commodities may fall in value relatively to themselves.

The Myth of Oversaving

The argument against the possibility of general overproduction is quite conclusive, so far as it applies to the doctrine that a country may accumulate capital too fast; that produce in general may, by increasing faster than the demand for it, reduce all producers to distress. This proposition, strange to say, was almost a received doctrine as lately as thirty years ago; and the merit of those who have exploded it is much greater than might be inferred from the extreme obviousness of its absurdity when it is stated in its native simplicity.

It is true that if all the wants of all the inhabitants of a country were fully satisfied, no further capital could find useful employment; but, in that case, none would be accumulated. So long as there remain any persons not possessed, we do not say of subsistence, but of the most refined luxuries, and who would work to possess them, there is employment for capital. . . . Nothing can be more chimerical than the fear that the accumulation of capital should produce poverty and not wealth, or that it will ever take place too fast for its own end. Nothing is more true than that it is produce which constitutes the market for produce, and that every increase of production, if distributed without miscalculation among all kinds of produce in the proportion which private interest would dictate, creates, or rather constitutes its own demand.

This is the truth which the deniers of general overproduction have seized and enforced. . . .

The essentials of the doctrine are preserved when it is allowed that there cannot be permanent excess of production, or of accumulation; though it be at the same time admitted, that as there may be a temporary excess of any one article considered separately, so may there of commodities generally, not in consequence of overproduction, but of a want of commercial confidence. • • •

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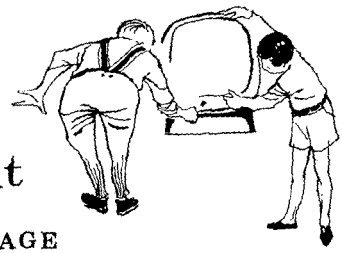

The Surplus Wheat

or – COMPARATIVE ADVANTAGE IN THE COLD WAR

It was a chilly afternoon
At story-telling time.
Old Kaspar shivered in his chair
And gulped his rum-and-lime,
While Peterkin and Wilhelmine
Warmed up the colorvision screen.

They saw a wide and rolling plain
Without a house or tree;
And filling all that vast expanse
As far as eye could see
Were countless groups of giant cans
Arranged in circles, squares, or fans.

And swarms of heavy trailer-trucks
In every dusty lane
Were standing by the giant cans
Unloading golden grain;
While waiting trucks with heavy loads
Were parked on all adjacent roads.

"Now tell us what it's all about!"
The little children cried.
"It's Surplus Wheat," Old Kaspar said
In tones of honest pride;
"We're filling every desert plain
With shiny cans of costly grain."

"But what's the sense in growing more
Than we can eat or sell?"
"In times of Economic War,
I've heard the Planners tell,
The countries that survive the test
Are those that outproduce the rest.

"Some other countries may excel
In population growth,
Or lead the race for bigger bombs,
Or faster cars, or both;
But there's not one we cannot beat
At filling cans with surplus wheat."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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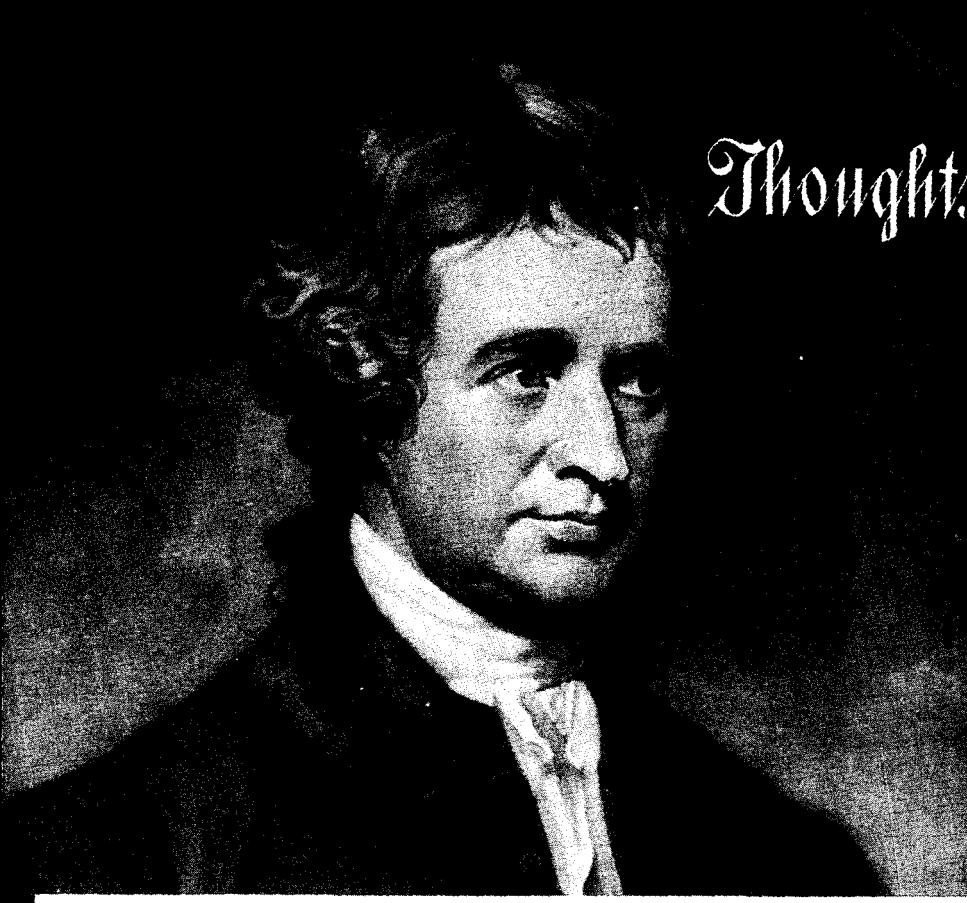

Thought:

This essay was written five years after the famous *Reflections on the Revolution in France*, two years before Burke's death. There is a current revival of interest in Burke, largely centered around the man and his politics. Perhaps this emphasis is all right, but it must not be overlooked that Burke's statecraft was informed by a thorough grasp of the principles of economics, a new discipline which virtually originated during his lifetime. "When Adam Smith came to London full of those discoveries which have immortalized his name," wrote Henry Thomas Buckle, "he found to his amazement that Burke had anticipated conclusions the maturing of which cost Smith himself many years of anxious and unremitting labor." And Smith himself told Burke that he was the only man who, prior to an exchange of views, thought on these topics exactly as he did.

Apart from its historical interest, the essay here reprinted is a well argued statement of the case for free market, private property, limited government principles. Although Burke addressed himself to an England where the typical employer-employee relationship involved a farmer and the laborers he hired, the principles Burke invoked to demolish the fallacies of political interventionism of his day apply equally well to present situations. Old fallacies neither die nor fade away; they must be controverted.

The original essay runs to nearly eleven thousand words and may be found in volume VII of *The Works of the Right Hon. Edmund Burke* in eight volumes, London, Thos. M'Lean, 1823. It has here been shortened and, for the sake of clarity some archaisms have been put into modern idiom.

EDMUND A. OPITZ

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and Details on Scarcity

Originally presented to The Right Hon. William Pitt in 1795

BY EDMUND BURKE

OF ALL THINGS, an indiscreet tampering with the trade of provisions is the most dangerous, and it is always worst in the time when men are most disposed to it: – that is, in the time of scarcity. Because there is nothing on which the passions of men are so violent, and their judgment so weak, and on which there exists such a multitude of ill-founded popular prejudices.

The great use of government is as a restraint; to provide for us in our necessities is not in its power. It would be a vain presumption in statesmen to think they can do it. The people maintain them, and not they the people. It is in the power of government to prevent much evil; it can do very little positive good in this, or perhaps in anything else.

Nothing can be so base and so wicked as the political canting language, "The laboring *poor*." Let compassion be shown in action, the more the better, according to every man's ability, but let there be no lamentation of their condition. Labor is a commodity like every other, and rises or falls according to the demand. This is in the nature of things.

There is an implied contract, much stronger than any instrument or article of agreement, between the employee in any occupation and his employer – that the labor, so far as that labor is concerned, shall be sufficient to pay to the employer a profit on his capital and a compensation for his risk; in a word, that the labor shall produce an advantage equal to the wage. Whatever is enforced above that is a direct *tax:* and if the amount of that tax be left to the will and pleasure of another, it is an *arbitrary tax*.

If I understand it rightly, the tax proposed on the farming interest of this kingdom is to be levied at what is called the discretion of justices of peace.

The questions arising on this scheme of arbitrary taxation are these: whether it is better to leave all dealing, in which there is no force or fraud, collusion, or combination, entirely to the persons mutually concerned in the matter

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contracted for; or to put the contract into the hands of those, who can have none, or a very remote interest in it, and little or no knowledge of the subject.

Disinterested Management

It might be imagined that there would be very little difficulty in solving this question; for what man of any degree of reflection can think that a lack of interest in any subject closely connected with a lack of skill in it, qualifies a person to intermeddle in any the least affair, much less in affairs that vitally concern the agriculture of the kingdom, the first of all its concerns, and the foundation of all its prosperity in every other matter, by which that prosperity is produced?

The vulgar error on this subject arises from a total confusion in the very idea of things widely different in themselves – those of custom and agreement and those of judicature. When a contract is being negotiated, it is a matter of discretion and of interest between the parties. In that relationship, and in what is to arise from it, the parties are the masters. If they are not completely so, they are not free, and therefore their contracts are void.

But this freedom is limited once the contract is made. Then their discretionary powers expire, and a new order of things takes its origin. Then, and not till then, and on a difference between the parties, the office of the judge commences. He cannot dictate the contract. It is his business to see that it be *enforced*, provided that it is not contrary to pre-existing laws or obtained by force or fraud. If he is in any way a maker or regulator of the contract, in so much he is disqualified from being a judge.

The proposed measures are premised on the misconception that the farmer and the man he employs have opposite interests – that the farmer oppresses the hired man, and that a gentleman called a justice of peace is the protector of the latter and a control and restraint on the former.

Both Parties Gain from Trade

First, then, I deny in this case, or in similar cases, that contracting parties originally had different interests. By accident it may be so undoubtedly at the outset; but then the contract is of the nature of a compromise, and compromise is founded on circumstances that suppose it the interest of the parties to be reconciled in some medium. The principle of compromise adopted, of consequence the interests cease to be different.

But in the case of the farmer and the hired man, their interests

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are always the same, and it is absolutely impossible that their free contracts can be onerous to either party. It is the interest of the farmer that his work should be done with effect and celerity; and that cannot be, unless the hired man is well fed, and otherwise provided with such necessaries of animal life, according to its custom as may keep the body in full force, and the mind gay and cheerful.

It is plainly more the farmer's interest that his men should thrive than that his horses should be well-fed, sleek, plump, and fit for use, or than that his wagon and ploughs should be strong, in good repair, and fit for service.

On the other hand, if the farmer ceases to profit from his employees so that his capital is not continually replenished, it is impossible for him to pay the wages from which his employees maintain themselves.

The Employer's Profit

It is, therefore, the first and fundamental interest of the employee that the farmer should have a full incoming profit on the product of his labor. The proposition is self-evident and nothing but the malignity, perverseness, and ill-governed passions of mankind, and particularly the envy they bear to each other's prosperity, could prevent their seeing and acknowledging it with thankfulness to the benign and wise Disposer of all things, who obliges men, whether they will or not, in pursuing their own selfish interests, to connect the general good with their own individual success.

A Matter of Market Determination

But who are to judge what that profit and advantage ought to be? Certainly, no authority on earth. It is a matter of usage and contract dictated by the reciprocal conveniences of the parties, and indeed by their reciprocal necessities.

I shall be told by the zealots of the sect of regulation that this may be true, and may be safely committed to contract or agreement between farmer and hired man, when the latter is in the prime of his youth, and at the time of his health and vigor, and in ordinary times of abundance. But in calamitous seasons, under accidental illness, in declining life, and with the pressure of a numerous offspring, what is to be done? When a man cannot live and maintain his family by the natural hire of his labor, should not his wage be raised by authority?

On this head I must be allowed to submit what my opinions have ever been.

And, first, I premise that labor is, as I have already intimated, a

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commodity, and, as such, an article of trade. If I am right in this notion, then labor must be subject to all the laws and principles of trade, and not to regulations foreign to them, which may be totally inconsistent with those principles and those laws. When any commodity is carried to market, it is not the necessity of the vendor, but the necessity of the purchaser that determines the price. If the goods at market are beyond the demand, they fall in their value; if below it, they rise. The subsistence of a man who carries his labor to a market is totally beside the question in this way of viewing it. The only question is, what is his labor worth to the buyer?

But if authority comes in and forces the buyer to a price, what is this in the case (say) of a farmer, who buys the labor of ten or twelve laborers, and three or four tradesmen, what is it, but to make an arbitrary division of his property among them?

If a commodity is raised by authority above what it will yield with a profit to the buyer, that commodity will be the less dealt in. If a second blundering interposition be used to correct the blunder of the first, and an attempt is made to force the purchase of the commodity (of labor for instance), one of two things must happen: either the forced buyer is ruined, or the price of the product of the labor, in that proportion, is raised. Then the wheel turns round, and the evil complained of falls with aggravated weight on the complainant. The price of corn, which is the result of the expense of all the operations of husbandry, taken together, and for some time continued, will rise on the wage earner, considered as a consumer. The very best will be, that he remains where he was. But if the price of the corn should not compensate the price of labor, what is far more to be feared, the most serious evil, the very destruction of agriculture itself, is to be apprehended.

Prices Regulate Trade

Laws prescribing, or magistrates exercising, a very stiff and often inapplicable rule, or a blind and rash discretion, never can provide the just proportions between earning and salary on the one hand, and living costs on the other: whereas interest, habit, and the tacit convention, that arise from a thousand nameless circumstances, produce a *tact* that regulates without difficulty what laws and magistrates cannot regulate at all.

But what if the rate of hire to the employee comes far short of his necessary subsistence, and the calamity of the time is so great

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as to threaten actual famine? Is the poor fellow to be abandoned?

In that case, my opinion is this. Whenever it happens that a man can claim nothing according to the rules of commerce and the principles of justice, he passes out of that department and comes within the jurisdiction of mercy. In that province the magistrate has nothing at all to do; his interference is a violation of the property which it is his office to protect. Beyond all doubt, charity to the poor is a direct and obligatory duty upon all Christians, next in order after the payment of debts, full as strong, and by nature made infinitely more delightful to us.

But the manner, mode, time, choice of objects, and proportion, are left to private discretion; and, perhaps, for that very reason it is performed with the greater satisfaction because the discharge of it has more the appearance of freedom; recommending us besides very specially to the divine favor, as the exercise of a virtue most suitable to a being sensible of its own infirmity.

The Evils of Price Control

A greater and more ruinous mistake cannot be fallen into than that the trades of agriculture and grazing can be conducted upon any other than the common principles of commerce, namely, that the producer should be permitted, and even expected, to look to all possible profit which, without fraud or violence, he can make; to turn plenty or scarcity to the best advantage he can; to keep back or to bring forward his commodities at his pleasure; to account to no one for his stock or for his gain. On any other terms he is the slave of the consumer; and that he should be so is of no benefit to the consumer. No slave was ever so beneficial to the master as a freeman that deals with him on an equal footing by contract, formed on the rules and principles of contending interests and compromised advantages. The consumer, if he were permitted, would in the end always be the dupe of his own tyranny and injustice.

What is true of the farmer is equally true of the middleman, whether the middleman acts as factor, jobber, salesman, or speculator, in the markets of grain. These traders are to be left to their free course; and the more they make, and the richer they are, and the more largely they deal, the better both for the farmer and consumer between whom they form a natural and most useful link of connection; though, by the machinations of the old evil counselor, *Envy*, they are hated and maligned by both parties.

I hear that middlemen are ac-

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cused of monopoly. Without question, the monopoly of authority is, in every instance and in every degree, an evil; but the accumulation of capital is the contrary. It is a great benefit, and a benefit particularly to the poor. A tradesman who has but a hundred pound capital, which (say) he can turn but once a year, cannot live upon a *profit* of 10 *per cent,* because he cannot live upon ten pounds a year; but a man of ten thousand pounds capital can live and thrive upon 5 *per cent* profit in the year because he has five hundred pounds a year. The same proportion holds in turning it twice or thrice. These principles are plain and simple; and it is not our ignorance, so much as the levity, the envy, and the malignity of our nature, that hinders us from perceiving and yielding to them; but we are not to suffer our vices to usurp the place of our judgment.

Maximum Satisfaction of Wants

The balance between consumption and production makes price. The market settles, and alone can settle, that price. Market is the meeting and conference of the *consumer* and *producer* when they mutually discover each other's wants. Nobody, I believe, has observed with any reflection, what the market is, without being astonished at the truth, the correctness, the celerity, the general equity with which the balance of wants is settled. They who wish the destruction of that balance, and would, by arbitrary regulation, decree that diminished production should not be compensated by increased price, directly lay their *ax* to the root of production itself.

When Government Interferes Least

The moment that government appears in the market place, all the principles of the market will be subverted. I don't know whether the farmer will suffer by it as long as there is a tolerable market of competition; but I am sure that, in the first place, the trading government will speedily become bankrupt, and the consumer in the end will suffer.

If the object of government buying should be what I suspect it is, to destroy the dealer, commonly called the middleman, and by incurring a voluntary loss to impel the baker to deal with government, I am to tell them that government must set up another trade, that of a miller or a mealman, attended with a new train of expenses and risks. If government should succeed in both these trades, so as to exclude those who trade on natural and private capitals, then government will have a monopoly in its hands, which, under the appear-

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ance of a monopoly of capital, will, in reality, be a monopoly of authority, and will ruin whatever it touches. The agriculture of the kingdom cannot stand before it.

The example of Rome, which has been derived from the most ancient times, and the most flourishing period of the Roman Empire (but not of the Roman agriculture) may serve as a great caution to all governments, not to attempt to feed the people out of the hands of the magistrates. If once they are habituated to it, though but for one-half year, they will never be satisfied to have it otherwise. And, having looked to government for bread, on the very first scarcity they will turn and bite the hand that fed them. To avoid that *evil*, government will redouble the causes of it; and then it will become inveterate and incurable.

Government's Limited Role

It is one of the finest problems in legislation, and what has often engaged my thoughts whilst I followed that profession, "What the State ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual discretion." Nothing, certainly, can be laid down on the subject that will not admit of exceptions, many permanent, some occasional. But the clearest line of distinction which I could draw, whilst I had my chalk to draw any line, was this: That the State ought to confine itself to everything that is *truly and properly* public, to the public peace, to the public safety, to the public order. In its preventive police it ought to be sparing of its efforts. Statesmen who know themselves will, with the dignity which belongs to wisdom, proceed only in this the superior orb and first mover of their duty, steadily, vigilantly, severely, courageously: whatever remains will, in a manner, provide for itself. But as they descend from the state to a province, from a province to a parish, and from a parish to a private house, they go on accelerated in their fall. They *cannot* do the lower duty; and, in proportion as they try it, they will certainly fail in the higher. They ought to know the different departments of things: what belongs to laws and what manners alone can regulate. To these, great politicians may give a leaning, but they cannot give a law.

The Law Perverted

Our legislature has fallen into this fault as well as other governments; all have fallen into it more or less. The once mighty State, which was nearest to us locally, nearest to us in every way, and whose ruins threaten to fall upon

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our heads, is a strong instance of this error. I can never quote France without a forboding sigh.

Revolution in France

That State has fallen by the hands of the parricides of their country, called the Revolutionists — a species of traitors, of whom I can never think or speak without a mixed sensation of disgust, of horror, and of detestation, not easy to be expressed. These nefarious monsters destroyed their country for what was good in it: for much good there was in the constitution of that noble monarchy, which, in all kinds, formed and nourished great men, and great patterns of virtue to the world. But though its enemies were not enemies to its faults, its faults furnished them with means for its destruction. My dear departed friend, whose loss is even greater to the public than to me, had often remarked, that the leading vice of the French monarchy (which he had well studied) was in good intention ill-directed, and in a restless desire of governing too much. The hand of authority was seen in everything and in every place. All, therefore, that happened amiss in the course even of domestic affairs was attributed to the government, and, as it always happens in this kind of officious universal interference, what began in odious power ended always, I may say without an exception, in contemptible imbecility. For this reason, as far as I can approve of any novelty, I thought well of the provincial administrations. Those, if the superior power had been severe, and vigilant, and vigorous, might have been of much use politically in removing government from many invidious details. But as everything is good or bad, as it is related or combined, government being relaxed above as it was relaxed below, and the brains of the people growing more and more addled with every sort of visionary speculation, the shiftings of the scene in the provincial theaters become only preparatives to a revolution in the kingdom, and the popular actings there only the rehearsals of the terrible drama of the republic.

Tyranny and cruelty may make men justly wish the downfall of abused powers, but I believe that no government ever yet perished from any other direct cause than its own weakness. My opinion is against an overdoing of any sort of administration, and more especially against this most momentous of all meddling on the part of authority, the meddling with the subsistence of the people. • • •

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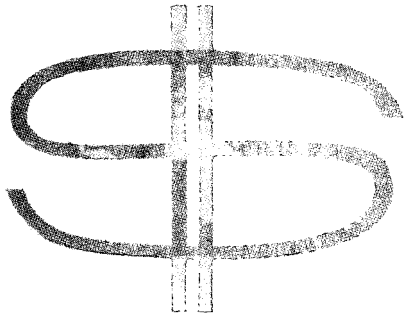

A World Monetary System

GEORGE WINDER

FROM THE DAYS of the goldsmith bankers until the outbreak of war in 1914, the cash which British bankers promised to pay their depositors, and to holders of their notes if called upon to do so, consisted of gold or silver coins. The only exception was during the Napoleonic Wars, but, in 1821, after more than twenty years of inconvertible paper money, the British banks reverted to gold payments, and Great Britain entered upon her great age of expansion.

During the nineteenth century, all the other leading commercial nations of the world adopted gold as the basis of their currency. Although it is not always realized now, the effect of this was to give the world an international money. The metal coins of the world might bear different names and have different weights, but, as long as they were gold and could be exchanged freely, what did that matter? An ounce of gold is an ounce of gold whether it is made up of sovereigns, louis d'ors, ducats, or the chief coins of any nation, and it can measure values anywhere on earth.

The result was that international payments during the nineteenth century ceased to be a problem. The only obstacle confronting those who wished to send money from one country to another was the cost of shipping and insuring gold, which was seldom more than one per cent of the value involved. This meant that rates of exchange never varied more than one per

Mr. Winder was formerly a Solicitor of the Supreme Court of New Zealand, and for some years was a contributor to a London financial weekly. He is now farming in Sussex, England. He has written many learned articles and pamphlets on law, agriculture, and economics.

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cent from the gold parities of the currencies.

In actual practice, the international money which facilitated the world's trade consisted not of gold itself, but of promises to pay gold written on Bills of Exchange. A Bill of Exchange signed by one of the famous London acceptance houses became the currency by which most of the commercial world carried on its international trade. Even the Chinese, who still clung to silver coins, received without question a Bill on London in exchange for their cargoes, for they knew it gave them a currency which was accepted anywhere in the world. India gained all the benefits of the international gold standard by keeping the rupee at a fixed ratio of fifteen to the pound.

The existence of this international money was also of great benefit to the London financial houses in enabling them to invest money abroad. They lent British pounds sterling, convertible into gold, in return for promises of repayment in money convertible into the same weight of gold, and with interest in the meanwhile. Between lending and repayment this weight could not vary, so that the possibility of repayment in seriously depreciated currencies did not arise.

In practice, the money never left England. It was used to purchase capital equipment, such as railways and harbor installations, farming implements, and tools, and was repaid not in gold but in wool, cotton, rubber, meat, cheese, butter, and a thousand other kinds of foods and raw materials.

Nineteenth Century Development

In 1821, when Great Britain returned to the gold standard, New Zealand, Australia, Canada, and South Africa were only the outpost homes of poverty-stricken pioneers. In 1914, when she left that standard, they were great and prosperous nations. We are sometimes adjured today to invest money in the Empire. Never has more money been invested in an Empire, and never have so many countries developed more quickly than during the nineteenth century, and no government ever thought of asking its people to invest money. People invested because there was security in the world, and the existing monetary system facilitated the free transfer of money from one country to another.

The Industrial Revolution, and more particularly the development of steam transport, both on land and sea, had made small economic units in the nineteenth century quite incompatible with modern ideas of prosperity. The expanding

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world economy, with its growing economic unity, was the world's response to its new environment. Of course, this very desirable measure of unity was not brought about solely because the world possessed in the gold standard an international currency, but this was undoubtedly a very important factor in its development.

A Free Market for World Trade

Another factor, which must not be overlooked, was that during the whole of this period Great Britain was a free trade country. This gave the world a central market in which there was hardly a commodity which was not bought and sold. Such a market, in which the price of world commodities fluctuated in accordance with the laws of supply and demand, unhampered by state intervention, acted as a co-ordinator of production all over the world.

In the price of goods on the London market, producers had a sure guide as to what the world needed, and what commodity it would pay them best to produce. In the nineteenth century the wealth-creating division of labor, with its specialization of production, was practiced more than ever before or since.

In particular, it should be noted that the willingness of Great Britain to take all the products of her Colonies and Dominions – without obstructions from tariffs or quotas of any kind – was a vital factor contributing to their economic growth. Although, before the end of the nineteenth century, the Dominions had placed protective tariffs against certain products of the Mother Country, they were of minor importance, so that it can safely be said that, at this period in its history, the British Empire constituted a free trade unit as important to the world as the internal free trade area of the USA is today.

While the gold standard, and the British policy of free trade, induced the countries of the British Empire and the New World to specialize their production to meet the demands of an international market, it also had the effect of forcing Great Britain similarly to serve that market, and to do so with great efficiency.

The British banker had every inducement to lend as much money to the British manufacturer as he could. His profits depended on his doing so. At the same time, he knew that every loan by creating new deposits increased his liabilities. As a result, he placed his loans where they would produce the most returns. Invariably, of course, this was where they would enable the borrower to produce the greatest value in salable goods.

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However, the optimism of the businessman is contagious, and sometimes this infection is caught by the banker. Too much money is lent, prices rise, and a boom eventuates. This susceptibility of the banks has its advantages. It enables the businessman to seize a new market at the right time. Sometimes, however, the market dies, and British manufacturers find themselves producing goods that cannot be sold so easily, and costs which have risen during the boom prevent them from lowering prices. Exports begin to fall, and less foreign money is earned by Englishmen.

Those who want foreign money to buy imports have to pay more sterling for it, so the rate of exchange goes against the pound. It becomes profitable for a foreign holder of deposits in a British bank to demand gold for them and to ship it out of the country. In other words, because of high prices or the unsuitability of our goods, the foreign or Empire buyer with credits in Great Britain preferred our gold to our goods.

The remedy for such an unpleasant contingency was, of course, to cheapen our goods, and, at the same time, to redirect our resources to the production of commodities the customers did want.

Many modern economists would no doubt see in such a situation a strong argument for state economic planning. However, it is difficult to see how a democratic government can order factories to lower their prices and to lower their costs, including wages, and to produce exactly what the customers want. The remedy in Victorian days was at hand in the salutary working of the gold standard, which acted quickly and effectively without any centralized direction.

The Gold Standard

The first reaction to the substitution of gold for goods in our export schedule was that the banks, knowing that they could be compelled by law to meet all demands upon them in gold, took steps to reduce their liabilities. This meant that they reduced their loans.

They met the unusual demand for gold, first from their own gold stocks, and, for the rest, they called upon the Bank of England. When their demands began to be felt by this great bank, it became mindful in turn of its obligations, and the famous Bank Rate would be raised. This would increase the rate for discounting Bills, and eventually all other rates for new loans.

The whole economy would be tightened up. With dearer and reduced supplies of money, there would be an all-round fall in prices.

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Industries which were in a bad way, through the loss of foreign markets, either reorganized themselves or went bankrupt. If the latter, their workers, and possibly their capital equipment, were thrown on the market, to be absorbed in a very short time by industries which could meet the existing demand. Lower costs, including lower wages, would enable industries to recapture the markets they had lost, and gain new ones.

The increased interest rates acted as an automatic test of the fitness of an industry to survive. Whereas a slack factory might just get by and wastefully utilize the factors of production when interest rates were 4 per cent, it would go out of production when that rate rose to 6 per cent.

At the same time, the higher Bank Rate would induce the oversea investor to leave his money in Great Britain to earn the higher rate of interest. Holders of foreign money became anxious to exchange it for British sterling, and gold would soon be streaming back to the bank's coffers, and interest rates would once again be reduced to their normal level.

Thus the gold standard, acting upon a free price mechanism, gave the British manufacturer a sure guide to world demand and so helped the British people to make their living serving the world's markets. After every depression they served those markets a little better, so that very soon wages rose again and, over the whole period, the real standard of living rose continuously in a manner unprecedented in history.

The age of the world's international gold standard came to an end with the outbreak of war in 1914, and, with it, ended that growing economic unity which was an outstanding feature of the world of the nineteenth century. • • •

EDITOR'S NOTE: The foregoing is a portion of Chapter XIV of Mr. Winder's new book, *A Short History of Money*, published by Newman Neame, Limited, in association with the Institute of Economic Affairs in London.

This highly readable story of the evolution of money also carries the author's explanation of the mechanism by which inflation has been brought about in Great Britain – and in other countries with a central banking system under government control.

Clothbound copies of the book (188 pages, indexed, $2.50) are available through the Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.

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THE ONLY WAY TO *Sound Growth*

LAWRENCE FERTIG

WARNING! Inflationists (and those who fall under their influence) are now operating under an effective disguise. Since they know that the word inflation is unpopular, they do not dare to openly endorse it. Instead, they try to achieve their objective by hiding behind a more popular word.

The inflationists' new device is to wave the banner of "growth." Of course, they say, we are against inflation. Of course, they assert, we are not in favor of zooming prices. But after all, they quickly ask, isn't growth the *really* important thing—shouldn't we achieve growth (with government in the driver's seat as planner and spender) *even at the expense of some inflation*?

By phrasing the issue this way they imply that inflation promotes growth. They imply that anti-inflationary measures and a stable or declining price level actually *prevent* growth. These assertions are made despite a long history which proves that the opposite is true. Inflation actually endangers sound growth. Much factual evidence on this growth-inflation subject is available, but within this brief column we have room for only a few instances.

German and British Experience

Take the course of the Federal Republic of Germany and of Great Britain from 1948 to 1955. Germany turned her face against inflation while Britain inflated at the rate of about 4 per cent per annum. German industrial production increased 134 per cent as opposed to the British 24 per cent. German *real* wages increased 90 per cent, whereas in the United Kingdom they went up only 7 per cent. All of this is related to the fact that German prices actually *fell* 5 per cent while British prices *increased* about 45 per cent. Cur-

Mr. Fertig is a columnist on economic affairs, *New York World Telegram and Sun* and other Scripps-Howard newspapers, in which this column first appeared August 24, 1959.

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rently, says Economics Minister Dr. Ludwig Erhard, Germany has "reached a new stage in its steady growth over the past ten years." This he attributes greatly to stable prices and a German currency freely convertible into gold.

Another historic instance of growth is the period in the United States from 1873 down to the turn of this century. During this time an anti-inflation policy caused prices to *decline* about 40 per cent while production more than doubled.

These are just two instances of growth and anti-inflation going hand in hand. Other recent cases are the Philippines, Burma, and Ecuador. The opposite – where inflation throttles growth – can be seen in Brazil, Chile, Argentina, and many other countries.

A False Conflict

Recently, statements by several important figures reveal how widespread is this growth-inflation policy. Dag Hammarskjold, Secretary-General of the United Nations, recently stated that modern industrial nations have been inclined to favor policies aimed at price stability instead of encouraging growth. (Note how he poses a false conflict.) Price stability has not been well won, he said, if its cost is economic stagnation – even though the stagnation is on a high level. Mr. Hammarskjold's statement turns out to be a slightly disguised brief in favor of inflation, which has nearly ruined so many European nations. In this country, on the TV program "Meet the Press," Governor Nelson Rockefeller was asked whether he agreed with President Eisenhower that inflation is "the great issue of our national life." Governor Rockefeller hesitated and said, "I'm not sure. I think this is certainly an integral part of the total issue. I think the economic growth of our country and the adequacy of job opportunities . . . are the root, really."

As the Twig Is Bent

Now it certainly would be unfair to call the Governor an inflationist, although his liking for expanded, costly government activities is well known. But it is evident from his statement that he has come to the same fallacious assumptions that the inflationists make. His thinking is no different from that of Professor Sumner Slichter of Harvard, who must be given due credit for openly and honestly advocating "creeping" inflation.

Similar logic is employed by the Democratic Advisory Committee and by Mr. Leon Keyserling. They persistently urge cheap money, giant-sized government expendi-

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tures, and budgets unbalanced temporarily (they hope) to create growth.

Increased Savings and Increased Investment

There is only *one* way to achieve growth – that is, by increased savings and by increased investment in the tools of production. In this way there is a greater flow of goods resulting from every hour of human labor. Anti-inflationary policies encourage growth because people are inclined to save more when they have a conviction that the dollar they put aside today for future use will not be eaten up by the price increases of tomorrow. People save less when they are convinced that the dollar saved today may be worth only 50¢ or only a dime after many years.

Those who think that it is up to the government to create growth overlook the fact that increased productivity depends upon the intelligence, work, and thrift of individuals and corporations. People – not government – create growth. All the government can do is to encourage people to save and invest. This is accomplished by curtailing government spending and encouraging sound fiscal and monetary policies. The evidence is plain that sound growth is achieved by fighting inflation, not by encouraging it. • • •

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OR

IT IS AN ARTICLE of faith with nine out of ten contemporary American historians that this country has been made by legislation piled on top of the original social compact of 1787. We are, supposedly, the creatures of the Interstate Commerce Commission and the Agricultural Adjustment Administration, the Social Security Act, the minimum wage law, and the Reconstruction Finance Corporation.

So ingrained is this way of thinking among the history writing fraternity that when Father Bruckberger, a French Dominican priest, comes out with a book interpreting America in terms of such apostles of voluntary association as Henry Ford and Samuel Gompers, it is greeted with pained surprise by Arthur Schlesinger, Jr. Heavens, the ignorant Frenchman has talked about the vast increase in the number of efficient tools available to the individual American worker, not about factory legislation! He has made Commodore Vanderbilt a bigger figure in railroad history than the author of the Hepburn rate bill! He has made the inventor of the mechanical reaper more important to agriculture than Mr. Henry Wallace. If this goes on, what will happen to the tight little historical guild's vested interest in the theory that it is "progressive" legislation that puts food on the dinner table?

The theory that it is the political party, not what the political party stands for in relation to the protection and liberation of non-political energies, that is important finds a muted but nonetheless pervasive champion in Robert V. Remini, author of *Martin Van Buren and the Making of the Democratic Party* (Columbia University Press, 271 pp., $5.00). This is a good book in many ways: it establishes Van Buren as a man of good Jeffersonian principles and character, and it casts a vivid light on that period in our history when the making of Presidents was transferred from the congressional caucus to the politicians back home in the states.

Nonetheless, Professor Remini's thinking about the Democratic

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Party suffers from the notion that it's "splendor" as an organization derives from its responsiveness to the "people," not from any principles for which it happens to stand. Almost without knowing it, Remini has endorsed the subtle heresy of Arthur Schlesinger, Jr.'s *The Age of Jackson,* which seeks to make Old Hickory into a sort of premonition of Franklin Roosevelt and the ancient Party of western frontiersmen, southern planter "aristocrats," and eastern "loco foco" free traders and hard money men into a progenitor of the New and Fair Deals.

Cutting Across Party Lines

The truth is, of course, that both major parties since the eighteen nineties have had their conservative, libertarian, and Populist-inflationary wings. In the nineties there were Gold Democrats and Bryanites; in the early nineteen hundreds there were McKinleyite Republicans and La Follettians and Rooseveltians. The seesaw between libertarianism and collectivism has never, in modern times, respected party lines.

In the days of Jackson, however, a truly libertarian political instrument was forged. The bias of the country called for it. Professor Schlesinger, seeking for "labor" antecedents for the modern Democratic Party, has spoken of the eighteen twenties as "streaked with suffering and panic, shaken by bursts of violence and threats of rebellion." No doubt there was a hangover of violence in the decade; after all, it took some time to digest the War of 1812.

But to view the eighteen twenties through the dark lenses of a Rooseveltian 1932 is, to say the least, just a bit foolish. As Garet Garrett, an "amateur" historian who is a good deal sounder than most of the professionals, has said, the generation of the eighteen twenties was a "breathless" one. To this "breathless generation," there happened the steamboat, the railroad, the telegraph, the mechanical reaper, the rotary printing press, the penny newspaper, the first public high school, ether, patent medicine, the Yankee peddler who took culture to the backwoods, McGuffey's Reader, the China trade, the clipper ship, and the literature of the Golden Day. (The list is from Garrett's *The American Story.*) No "age of Jackson" that tends to minimize this panorama of bursting energies can be truly interpretive, and no political history that tries to narrow the origins of the Democratic Party down to an expression of anticapitalist grievances can be legitimate.

Schlesinger tries to make Jackson into a partisan of the Hamil-

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tonian state directed to Jeffersonian ends. Though this sounds impressive on the face of it, it actually means little. True enough, Jackson insisted on the preservation of the union in the South Carolina nullification crisis. But he appointed States' Rights judges, including that most pertinacious States' Righter of all, Roger Taney. His campaign against the Bank of the United States was supported by hard money men on the one hand and the proponents of decentralized state banking on the other.

In short, Jackson, insofar as he consciously thought about it at all, considered the State to be the guarantor of rights that were beyond the reach of legislation. He believed, in short, in unalienable rights.

The Jacksonian Era

Schlesinger is too good a reporter to leave the hard money men and the frontier enterprisers out of account. In *The Age of Jackson,* which is quite fascinating in some of its detail (and extremely good reading, too) he gives vivid portraits of representative early nineteenth century libertarians. There is Jackson himself, who could declare that "equality of talents, of education, or of wealth cannot be produced by human institutions. . . ." There is William M. Gouge, the hard money theorist whose view of the trade cycle might commend itself to Ludwig von Mises. There is William Leggett, the passionate free trader of the old *New York Post.*

Richard Hofstadter, who is as right on pre-Civil War history as he is wrong when he comes to deal with the so-called Robber Baron age, caught the libertarian flavor of the Jacksonians when he treated Jackson as the voice of "liberal capitalism" in his *The American Political Tradition.* We may set it down to an emotionally induced myopia that Schlesinger cannot see the Jacksonian Democrats for what they were, the very negation of a New Deal state-dependent band.

It is not that Schlesinger doesn't know there is another view of Jackson and his Party. He quotes from William Graham Sumner's excellent little biography of Jackson, which treats the old hero of New Orleans with a sort of contemptuous approval as the "standard-bearer" of a people who had become "bold, independent, energetic, and enterprising." In Sumner's view, the eighteen twenties, far from being an epoch of hardship, were entirely too prosperous to exhibit any deeply abiding concern for politics. The politicians of the decade made such a furious commotion precisely be-

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cause the people were not easily disposed to listen.

As for the eastern "loco focos," whom Schlesinger casts as the Tugwellians of the age, Sumner sees them as "equal rights men" who first committed the Democratic Party to "sound doctrines and imperishable ideas." The loco focos included laborers, but they were working men who wanted to be paid in a sound currency. "For a generation," says Sumner, the Democratic Party was "by tradition, a party of hard money, free trade, the noninterference of government, and no special legislation. If that tradition be traced up to its source, it will lead back, not to the Jackson party of 1829, but to the loco focos of 1835."

The loco focos, being city men, were, of course, a prime source of the strength of Martin Van Buren, the New Yorker who was Jackson's Crown Prince and Heir Apparent. Van Buren knew how to weld a party together, as Professor Remini shows in his book. A hard money man and a States' Righter, Van Buren tried to build his party on principles as well as patronage. He compromised at times on the tariff, but he was essentially opposed to the "gimme" theory of government that was espoused by Henry Clay and the Whigs who were for protection and for federal pork barrel spending on "internal improvements."

Van Buren, then, gave a *principled* party to the people. The adjective, which Remini does not use, is what is important.

Professor Remini does insist on the Old Republican, or Jeffersonian, soundness of Martin Van Buren's political philosophy. But the book, being committed to an exposition of the roots of party success, tends to endorse the idea that organizations should always be responsive to whatever the "people" want at the moment. The good political mechanic must, on this basis, always seek to adapt the organization to the prevailing wind.

Sumner would have disagreed. So, too, would those loco focos who first gave the Democratic Party the platform which Franklin Roosevelt so gaily kicked over in 1933. In the old Sumnerian view, a party should be like Washington's "standard," to which "the wise and honest" can always repair. It should be ready to risk unpopularity, knowing that, in time, it will always come back. • • •

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MEMO ON PRIVATE ENTERPRISE

No. 10 in a series

"the general taxpayer has to add 33 cents to each dollar paid by parcel post shippers"

Railway Express Agency in August formally asked the Interstate Commerce Commission to approve "promptly" long overdue parcel post rate increases, for which the Post Office first petitioned in April 1957 and then delayed filing of rate schedules. The I.C.C. also was asked to find that such increases are inadequate under law to cover the Government's out-of-pocket cost of providing the service.

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The express company, along with other private transportation enterprises, would be able to "compete more effectively with the Post Office Department for the package traffic available for transportation."

The Railway Express requests were contained in its brief filed in support of proposed increases in I.C.C. Docket No. 32158, 1957.

The Government's current parcel post deficit figures show that the general taxpayer has to add 33 cents to each dollar paid by parcel post shippers. The present below-cost rates have been in effect since October 1, 1953.

The original Post Office petition of April 18, 1957, said that there was a substantial deficit for the July 1, 1955-June 30, 1956 fiscal year. Meanwhile, the deficit has been permitted to grow and to continue through the 1957, 1958 and 1959 fiscal years, with no rate increase yet in effect.

Long hearings, which began in February 1959 and followed the November 28, 1958, filing of rate schedules by the Post Office, featured delays brought about by protesting mail order and other large parcel post shippers. Four of these, by their own statements, alone account for some 15 percent of the nation's business use of fourth class mail.

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From Henry Hazlitt's foreword to the 1959 edition of Andrew Dickson White's classic, *Fiat Money Inflation in France*, Foundation for Economic Education, Irvington-on-Hudson, N. Y. 124 pp. $1.25 paper, $2.00 cloth.

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